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# DRUGS AND MONEY LAUNDERING IN PANAMA

## HEARING

BEFORE THE

## PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

## COMMITTEE ON GOVERNMENTAL AFFAIRS

## UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

JANUARY 28, 1988

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# DRUGS AND MONEY LAUNDERING IN PANAMA

THURSDAY, JANUARY 28, 1988

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 9:35 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Sam Nunn, Chairman of the Subcommittee, presiding.

Present: Senators Nunn, Sasser, Roth, Stevens, and Trible.

Staff present: Eleanore Hill, Chief Counsel and Staff Director; Daniel Rinzel, Chief Counsel to the Minority; Mary D. Robertson, Chief Clerk; David Munson, Investigator; Kathleen Dias, Executive Assistant to Chief Counsel; Alan Edelman, Counsel; Carla Martin, Assistant Chief Clerk to the Minority; Sallie Cribbs, Executive Assistant to Minority Chief Counsel; John Sopko, Deputy Chief Counsel; Hal Lippman, Investigator; Mary Vinson, Minority Investigator; Bobby Kammerman, Deputy Chief Counsel to the Minority; Stephen Levin, Minority Counsel; Paul Owens, Staff Assistant to the Minority; Evelyn Boyd, Liaison for Senator Sasser; Bob Carolla, Liaison for Senator Mitchell; Marianne McGettigan, Liaison for Senator Rudman; Steven Ryan, Liaison for Senator Glenn; Donna Omori, Liaison for Senator Levin; Sean McAvoy, Liaison for Senator Cohen; and Gregory DenHerder, Liaison for Senator Stevens.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive session hearings without a quorum of two members for the administration of oaths and the taking of testimony in connection with hearings on Drug Trafficking and Money Laundering in Panama, to be held on January 28, 1988.

SAM NUNN
Chairman
WILLIAM V. ROTH, JR.
Ranking Minority Member

## OPENING STATEMENT OF SENATOR NUNN

Senator NUNN. The Subcommittee will come to order.

With today's hearing on the alleged involvement of Panamanian officials, specifically General Manuel Antonio Noriega, in narcotics trafficking and money laundering, the Permanent Subcommittee on Investigations enters a new phase in its long-standing effort to examine key drug issues facing our Nation. At the outset, I want to emphasize that a great deal is at stake in the testimony we will hear this morning. At issue, for one thing, is the credibility and

reputation of the leader of a country that has played and continues to play a vitally important strategic role in our Nation's national security and economic well-being.

Also in question is our continuing ability to stem the flow of illicit drugs into the United States. I have often said that one of the biggest challenges we face in the war on drugs is obtaining strong, ongoing support from the people and governments of so-called source countries or transshipment countries. Without such support, I fear we will be facing a lonely and extremely difficult, if not impossible, task in halting the flow of drugs across our borders.

Today's proceedings cap a Subcommittee investigation of long-standing allegations that link General Noriega and high level subordinates in Panama's Defense Forces with the Latin American drug trade. There have been numerous published reports on this subject, including allegations of connections between General Noriega and drug activities as long ago as the early 1970's when he headed the Panamanian military's intelligence service. Such reports have continued to appear periodically right up through the present time.

At the very beginning, I want to congratulate Senator Roth for taking the lead in this investigation. He and his staff have taken the lead and have worked very carefully over a period of about 18 months. Of course, we have cooperated to the fullest extent possible. As an investigative Subcommittee we do not handle legislation, although we do lay the groundwork for legislative activity. Thus, it is enormously important that of all Subcommittees in the Senate, this Subcommittee be run on a bipartisan basis, with full cooperation between Republicans and Democrats. As chairman, I have tried my best to do that, and I know Senator Roth did when he was chairman. So, Senator Roth, I congratulate you and your staff for putting this investigation and hearing together.

Recently, new information has surfaced prompting renewed attempts to scrutinize General Noriega's past record and persistent denials of wrongdoing. In a June, 1986 New York Times article, for example, General Noriega was described, "according to evidence collected by American intelligence agencies," as being "extensively involved in illicit money laundering and drug activities." According to published reports, by the latter part of last year, two Federal grand juries had begun separate investigations of these continuing allegations against the General.

At the same time, U.S. support for General Noriega has declined, although the reasons for this include factors in addition to and apart from his alleged involvement in drug activities. For example, the Panamanian military has recently been criticized for its role in Panamanian politics, particularly its harsh response to the civil unrest that broke out last June.

As a result of these concerns, the Administration froze most of Panama's $26 million in U.S. aid in July of last year. Last month the Senate added a provision to the omnibus spending bill which contains far-reaching sanctions, including: a cutoff of virtually all economic and military assistance to Panama, including aid previously approved but still undelivered; the elimination of Panama's quota for sugar exports to the United States; and mandatory U.S. votes against loans to Panama by international development banks.

To date, General Noriega has consistently denied any involvement with or assistance to drug traffickers. Faced by those denials and in the absence of any clear and convincing proof to the contrary, these allegations and rumors have remained just that: allegations and rumors.

It is neither the province nor the practice of this Subcommittee to act as a forum for empty allegations or unfounded rumors. This is no less the case when we deal with a foreign public official such as General Noriega. As such, I want to stress that we are here today to receive and consider not rumor or innuendo but, rather, sworn testimony and documentary evidence as to General Noriega's alleged involvement in the drug trade.

Specifically, an individual who states he has personal knowledge of the involvement of Panamanian officials in drug trafficking and money laundering activities will provide testimony this morning that heretofore has not been heard in public. This witness, as a convicted drug smuggler, has been cooperating with Federal authorities for some time in a number of investigations. Given the serious nature of the allegations that will likely be made this morning, I intend to listen to his testimony very carefully, as well as consider very closely the law enforcement information and the documentary evidence which bears directly on his credibility as a witness.

In closing, I again want to commend Senator Roth and the Minority Staff for taking the lead in this important and timely investigation. This is another example of our Subcommittee's long-standing concern for the critical issue of drug trafficking and the very, very detrimental effect it has on our Nation.

Senator ROTH.

## OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Thank you, Mr. Chairman. Thank you for your cooperation in this effort.

The world's attention has recently, of course, been focused on Panama. The reports from Panama include allegations of corruption, bribery, and even murder. As a result, there has been continued unrest in Panama—disgruntled Panamanian citizens took to the streets, the military-dominated government attempted to stifle dissent, and the U.S. Embassy was even attacked.

Panama is, of course, vitally important to the United States, in part because of the Panama Canal, in part because of the close ties between the Panamanian people and the people of the United States.

But here today we focus on a problem of equal significance to the security interests of the United States—the role played by Panamanian officials in facilitating the narcotics pipeline. To put it bluntly, Panamanian officials, including the most powerful one in the country, General Manuel Antonio Noriega, are being charged with making lots of money by helping drug smugglers and money launderers ply their trade. Any such practices must stop.

Today we will hear, under oath, from an admitted drug smuggler, Steven Kalish, who lived in Panama under the name "Skip" Brown and will state that he directly paid General Noriega for the

privilege of using Panama not only as a safe repository for his money but as a base of operations for his smuggling activities. I must say any such role played by General Noriega or any other Panamanian officials would be nothing short of outrageous.

It has been no secret that for some years now Panama has provided a safe and secret haven for the world's wealthiest narcotics traffickers. Easy creation of secret corporations and strict bank secrecy laws guarantee protection and anonymity to money launderers. Panama is close to the United States and uses the American dollar, which avoids the inconvenience of exchanging currency. Frankly, I wish we could convince Japan to do the same.

As the staff discovered in the course of an 18-month investigation, which included a staff trip to Panama, we have learned that because of these facts, the Panamanian banking system has been flooded with American dollars. Consider that between 1982 and 1987, Panamanian banks had a surplus of over 3.8 billion in American dollars to return to the United States Federal Reserve. Where is the money coming from? As we will hear from a representative of the Customs Service, in a recent U.S. Customs' operation known as Buckstop, over 16 million American dollars illegally bound for Panama was seized at three locations in only 6 months. If that is what we came up with in random seizures in just 6 months, you can imagine what slipped through. There are, in fact, very few drug money laundering operations that do not involve Panama in some way.

I expect that Panamanian officials will dismiss the testimony we will hear today as the fabrications of a narcotics trafficker out to save his own skin. If that is the case, if Mr. Kalish made all this up, then how did he come by several Panamanian passports, one of which bears diplomatic credentials? Why did Mr. Kalish's wife receive a handwritten note from General Noriega welcoming her to Panama? Mr. Kalish is, after all, an admitted drug smuggler. That was his business before he went to Panama and his business while he lived in Panama. How is it that Mr. Kalish received an irrevocable letter of credit from the National Bank of Panama for $1,995,000 to finance the purchase of a helicopter for the Panama Defense Forces? Clearly, we have evidence of drug-related corruption extending to the highest levels in Panama. We must confront this corruption and take measures to abolish it if we are serious about winning the war against drugs.

This Subcommittee, under both my past chairmanship and now under our distinguished chairman, Senator Nunn, has repeatedly attempted to highlight the indispensable role that money laundering plays in enabling the international drug trade to flourish. Back in 1982, we alerted the Congress to the role played by off-shore banking institutions to hide drug profits.

While some progress has been made in the intervening years, it seems perfectly clear that a number of countries have not gotten the message. We are involved in a war on the international drug trade, and in this war there can be no neutral bystanders. Our national security interests are just a directly threatened by the dope dealing and money laundering authorized or tolerated by public officials in Panama as our interests would be threatened by the closing of the Panama Canal. The best hope to eliminate these illegal

activities is to ensure that a stable, democratic government exists in Panama, one that observes the law, not that violates it.

Congress has authorized the imposition of sanctions on those countries who will not help us, but the Executive Branch has not yet chosen to impose the anti-drug sanctions against any country. Although, as Senator Nunn has properly stated, the Administration froze U.S. aid after the attack on the U.S. Embassy and the Congress imposed additional sanctions in the omnibus spending bill. Moreover, last year, our distinguished chairman and I proposed a bill, which is now law, to tighten standards for defining "full cooperation" by other countries in the fight against the international drug trade and to add sanctions against those countries which refuse to cooperate. We may need some more backbone in the Executive Branch to see that those sanctions are implemented.

I want to strongly commend my good friend and colleague, the chairman, Senator Nunn, for holding these hearings. He has been a leader in Congress in the fight against drug trafficking. As I previously stated, Senator Nunn and I have worked together on legislation to strengthen sanctions against foreign countries facilitating the drug trade. His staff has been most helpful in this investigation. I particularly want to commend Eleanore Hill and her staff for their assistance. As the chairman has properly pointed out, it has been a real joint effort. I look forward to continuing to work with Senator Nunn on this vital issue.

Senator NUNN. Mr. Kalish, do you want to introduce your lawyer?

Mr. KALISH. Yes, Senator Nunn. This is my attorney, Samuel Buffone.

Senator NUNN. Senator Trible, would you like to make an opening statement?

Senator TRIBLE. Mr. Chairman, I have no opening statement. I look forward to hearing from the witnesses. Thank you.

Senator NUNN. Mr. Kalish, we swear-in all witnesses before this Subcommittee. So, if you will stand and hold up your right hand and take the oath.

Do you swear that the testimony you give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KALISH. I do.

Senator NUNN. Thank you.

Let me get the name of the counsel again, please.

Mr. BUFFONE. Yes, Senator. My name is Samuel Buffone.

Senator NUNN. Could you give us your address?

Mr. BUFFONE. 1607 New Hampshire Avenue NW. My law firm is Asbill, Junkin, Myers and Buffone. That is in Washington, D.C., Senator.

Senator NUNN. Mr. Buffone, you are not going to be testifying, but will be advising your client. Is that correct?

Mr. BUFFONE. That is correct.

Senator NUNN. Mr. Buffone, if we pose any questions that you would like to discuss with your client, you will have the right to do so prior to his answer.

Mr. BUFFONE. Yes, Senator.

Senator NUNN. Do you have any procedural questions?

Mr. BUFFONE. No, I do not, Senator Nunn.

Senator NUNN. Thank you.

I will ask Senator Roth to take the lead at this point. Senator Roth, you will be officially presiding, but I will be here most of the time to work with you.

Senator ROTH. Thank you, Mr. Chairman.

Mr. Kalish, before you start your testimony, you are under oath and you understand the penalties for not speaking the truth before this Subcommittee. Is that correct?

Mr. KALISH. Yes, sir, I do.

Senator ROTH. Mr. Kalish, would you please proceed, then, with your statement?

## TESTIMONY OF STEVEN MICHAEL KALISH, CONVICTED NARCOTICS SMUGGLER

Mr. KALISH. Thank you, Senator.

My name is Steven Michael Kalish. I am a convicted marijuana smuggler and have been incarcerated for the past 43 months. While I have been involved in marijuana smuggling for most of my adult life, the level of my illegal conduct significantly increased in the summer of 1983. At that time, I was instrumental in the importation of 250,000 pounds of marijuana.

In the past, the problems of buying the marijuana, arranging transport, off-loading and final distribution were successfully dealt with by my organization. However, the sheer volume of cash generated in 1983 soon overwhelmed our organization. As the marijuana payments came in from our distributors, we stored the cash in Tampa, Florida. The currency filled entire rooms. Although we were sending out millions of dollars to our Colombian suppliers, at one point we had in excess of $35,000,000 in Tampa. We used money counting machines but had to stop any counting because we could not keep up with the volume.

This experience made me realize that dealing with the cash from larger importations was a serious problem. I began to devote my attention to establishing secure methods of removing this cash from the United States and banking it abroad. In addition to the proceeds of our recent importation, I was far along in the planning of larger operations. I planned a 1,000,000-pound importation and had already purchased the marijuana in Colombia. This load was to be carried by ocean-going tug and barge up the Mississippi River. A second 400,000-pound importation was planned using a containerized cargo vessel we had purchased.

I anticipated that these operations would produce $300 million. Accordingly, I began to seek out banking havens in earnest. We had worked in the Cayman Islands in the past but found it unacceptable for sums of this magnitude. I was aware of changing relations between the United States and the Cayman Islands and feared a loss of bank secrecy. The Cayman banks were simply not capable of dealing with this volume of money. After looking into European and Caribbean havens, my attention was drawn to Panama. Its reputation as a large scale banking center was well known.

I arranged through two intermediaries to visit the country for a trial run. I was told to bring at least $2 million as a show of my seriousness. I placed $2.3 to $2.5 million in a suitcase and traveled to Panama on a private jet.

On September 22, 1983, my chartered Lear jet was met by a limousine at the Omar Torrijos Airport in Panama City. My luggage was not searched at Customs. I was driven to the offices of Cesar Rodriguez. He had impressive offices on 2 floors in the Bank of Boston building in downtown Panama. Rodriguez had surprising resources. I met with lawyers, bankers and government officials on my first visit to Cesar's office. I purchased shell corporations from him and immediately set up accounts and deposited most of the money I had brought with me. When I explained that I had millions of dollars to bank and invest in Panama, he offered me an entire package of corporate, banking and investment services and even armored car delivery of my moneys from Omar Torrijos Airport.

Rodriguez took me to dinner with his partner, Enrique Pretel, who was also described as having close ties to the Panamanian government. Over dinner, I expressed interest in bringing into Panama $100 million. I did not want to disclose at this point my plan to bring in three times that amount. I also mentioned my concerns over safety and security. During my initial meetings at Rodriguez's office, a Panamanian official was present. He informed Rodriguez that the Drug Enforcement Administration had notified G-2, the intelligence arm of the Panamanian military, that my plane was under surveillance upon departure from the United States.

I was advised to send the plane back to the United States, which I did. Rodriguez and Pretel were extremely interested in doing business. To impress upon me the level of their influence in Panama, they informed me that General Noriega, Panama's military ruler, was their partner. They quickly proved that this was not idle talk.

The next day, I was taken to General Noriega's private home. I had been instructed to bring a gift for the General—large enough to show how serious I was about doing business in Panama. I placed $300,000 cash in my briefcase. During a casual discussion with the General that lasted approximately 30 minutes, I discussed my desire to live in Panama and to invest my moneys there. I made it clear at that time that it was my intention to bring extremely large sums of cash to Panama. As the meeting broke up, I left the briefcase in his office and began to exit the room. General Noriega called me back and told me that I had left my briefcase. I told him that it was for him, and he smiled.

That night, I was invited to a party with the General at the Panama Canal offices. He was extremely friendly, and he told me to continue to deal with Rodriguez and Pretel and that he would do whatever he could to assist me. He also thanked me for the briefcase.

Throughout the next 10 months, I used Panama as the base of my operations, first leasing a condominium and then buying a home in the San Francisco area of Panama City, in close proximity to General Noriega's home. My relationship with General Noriega

became closer until he became a full-scale co-conspirator in my drug operations.

I transported nearly all of my money to Panama. My jet was given special treatment at Omar Torrijos Airport on all of my trips to Panama. I taxied to the Air Force base at a corner of the airport so that my arrivals and departures would not be observed. I became a full partner in Rodriguez, Pretel and Noriega's business, Servicios Touristicos. Two hundred thousand dollars of my $400,000 payment for 25 percent of the business was for Noriega, who was indeed our partner in all of our deals. My partners had several lucrative contracts with the government of Panama and the Forces of Defense. Pretel and Rodriguez owned aircraft which flew military personnel in Panama.

As a favor to the General, I financed and arranged the purchase of an executive helicopter and a 727/100 jet aircraft. In late 1983, Noriega discussed with me his desire to purchase a Boeing 727 jet aircraft. I negotiated the price for $2.2 million. I made the initial deposit of $500,000 and assisted in financing the balance. Noriega later agreed to use the plane for our money laundering operations. We planned to fly planeloads of money out of Washington, D.C. under diplomatic cover. I also purchased an executive helicopter for Noriega. I provided long-term financing secured by a government guarantee.

My partner in the United States and I had purchased a Lear jet 35 which I made available to Noriega. In fact, he told me he borrowed the jet to fly to Washington to meet with President Reagan in November of 1983. Our relationship was not one-sided. Noriega provided me with military protection and favorable treatment while I was living in Panama. I was issued three Panamanian passports, one being a Panamanian diplomatic passport.

During my time in Panama, I was brought ever more into Noriega's confidence. He discussed with me his concerns over the upcoming elections of Nicholas Barletta, who was running for President. It was his plan to use his share of our money laundering and drug smuggling proceeds to assist in the financing of this election.

In the spring of 1984, events brought me closer to General Noriega. Prior to that time, I decided to attempt an importation into a United States commercial port. Since any direct shipment of marijuana from Colombia would be scrutinized, I arranged for transshipment through Panama and obtained customs seals by large payoffs to Panamanian officials. For a fixed fee, Noriega personally approved of this operation.

A series of events led General Noriega to ask me to postpone this operation. A large amount of ether, a necessary commodity in the production of cocaine, was seized in Colon, Panama. An operating cocaine lab was discovered in the remote Panamanian jungle. One thousand kilograms of cocaine was seized in Miami from a Panamanian cargo plane. General Noriega asked me to contact my sources in Colombia and find out what was going on. I learned from my sources in the Medellin Cartel that a $5 million bribe had been paid to Panamanian officials to protect their operations in Panama. A high-ranking Panamanian official, Colonel Melo, had been bribed. Melo was behind the cocaine lab and ether shipments; he was intending to assassinate Noriega while he was in Europe

and seize control of Panama. I passed word of this to Noriega, and Melo, his associates, and the Colombians were arrested immediately. These arrests angered the Colombians, and I was caught in the middle.

I arranged for the release of these Colombians and established my ability to facilitate their business in Panama. The Cartel was looking for a way to continue to launder $50 to $100 million a month produced from its west coast U.S. cocaine operations. My links to Panama made laundering of this volume of money possible. The General embraced the scheme for his percentage, and I began to negotiate with the Medellin Cartel to ship and launder vast amounts of cocaine profits. After these events, Noriega dealt directly with me and asked that I cut out Pretel and Rodriguez.

Noriega was always extremely concerned about the discovery of Panamanian involvement in drug trafficking. On February 16, 1984, my future wife and myself visited Noriega at his ranch in the interior of Panama. He ordered flowers for my wife and left her a note that I believe you have seen. His real purpose for inviting me was not social. He had previously agreed to a $4 million fee, $1 million up front for facilitating and assisting in the transshipment of marijuana through Panama that I had planned. He, however, wanted additional assurances that the U.S. end was covered and that Panama's role was insulated. I also guaranteed that all of the proceeds would come back to Panama.

My involvement in Panama ended abruptly with my arrest in Tampa on July 26, 1984. I have been incarcerated ever since.

Senators, if you have any questions, I would be happy to answer them.

Senator ROTH. First, Mr. Chairman, I do submit for the record the Minority Staff Statement summarizing our investigation and a number of documents for the record, some of which are under seal.

Senator NUNN. Without objection, they will be admitted to the record.

[The Minority Staff Statement of Senator Roth follows:]

MINORITY STAFF STATEMENT

The Subcommittee began its examination of Panama in June of 1986 with the intention of looking at allegations that Panama served as a haven for narcotics dollars. Given PSI's long-standing concern with drug trafficking and related off-shore money laundering centers, the Subcommittee's interest was piqued by a June 12, 1986 article in the New York Times by Seymour Hersch. The article proclaimed Panama the largest haven in the western hemisphere for narcotics money and alleged that Gen. Manuel Antonio Noriega, commander of the Panama Defense Forces (PDF) was involved in money laundering, narcotics trafficking and technology transfer of embargoed items to Cuba.

In the course of an 18-month investigation, we sought to determine the extent to which Panama was being used as a haven for illicit money laundering and transit point for narcotics destined for the United States. We interviewed current and former U.S. government officials from virtually all agencies of the executive branch that deal with Panama, including the State Department; the Central Intelligence Agency; the Drug Enforcement Administration; the Department of Justice; the Federal Bureau of Investigation; the Customs Service; the Internal Revenue Service; the Defense Department, including the Defense Investigative Agency; and the National Security Council. We also interviewed various persons from the private sector, including bankers, former ambassadors to Panama, the former commander of U.S. military forces stationed in Panama, pilots, convicted drug smugglers and money launderers, local law enforcement officials, exiled Panamanian leaders, and others who have lived, worked or traveled in Panama. In August of 1986, the Subcommit-

tee staff traveled to Panama and interviewed bank officials from American as well as Panamanian banks, leaders of the political opposition movement, former presidents of Panama, Panamanian narcotics officers, and customs officials. Within the official U.S. community, we talked to the American ambassador as well as his principal political and economic officers, U.S. AID officials and officers in the U.S. Southern Military Command. We also canvassed U.S. Attorney's offices and U.S. Customs offices for cases involving Panama. Finally, we examined numerous agency reports of currency and drug seizures involving Panama and looked at records from an armored courier service of transfers of money from the Banco Nacionale to the Federal Reserve. (We were unsuccessful in obtaining certain records for money moving within Panama from the airport to the banks.)

We attempted to assess how much drug money was being laundered through Panama. A precise amount is impossible to determine, but one indicator is how much money is seized leaving the U.S. on its way to Panama. The Customs Service compiles records, and the Subcommittee will hear today from William Rosenblatt of the Customs Service. As he will explain, during Customs' recent Operation Buckstop, $10.2 million was seized in two months alone from Los Angeles International Airport. These seizures resulted from random spot checks. These figures clearly suggest that much more money is finding its way to Panama. Another indicator is the large number of dollars repatriated from the Banco Nacional de Panama to the Federal Reserve. While the numbers of dollars has decreased substantially in the last two years, the surplus is still significant.

There are good reasons that Panama has achieved prominence as a money laundering center. The principal objective in laundering money is to erase any paper trail. Panama has provided this service with its tight bank secrecy laws more than adequately. Until recently, U.S. law enforcement officials viewed Panama as a kind of a black hole. Drug money that made its way safely to Panama was simply impossible to trace. As we will hear today, a drug smuggler could easily create secret corporations which, in turn, opened secret bank accounts. Given Panamanian secrecy laws which protect both the identity of the true owners of corporations as well as the real holders of bank accounts, there is no way to trace such money.

Recognizing the dearth of existing formation, we set out to talk to those who had first-hand knowledge. We interviewed several convicted narcotics traffickers and money launderers who had used Panama as a base of operations (two will testify today). Those we interviewed reported time and time again that Panamanian officials were integral parts of the money laundering and drug trafficking in Panama.

What is the evidence of official involvement? First, "approved" smugglers often land at Torrijos International Airport. By "approved," I mean those who pay the necessary officials. They land at the Airport and taxi their planes to the part of that airport operated as an Air Force Base by the Panama Defense Forces. Neither pilots nor their cargo are subject to any Customs or Immigration inspection upon entering Panama. Their planes are often met by armored courier trucks sometimes accompanied by Panama Defense Fund guards. Some of the persons who make these money laundering trips are on the government payroll. Some of these smugglers have had direct contact with officials of the Panama Defense Forces, in some cases with General Noriega himself. Sometimes, they deal with "front men" who covered for Noriega. Some of them received valuable information that specific American law enforcement authorities were investigating the operation. In sum, we learned that payment to the Panama Defense Forces is required and that nothing happens in Panama without Noreiga's tacit approval. Indeed, one smuggler we spoke to indicated that Noriega demanded prior notification of each drug flight from Colombia to Panama and required payment in advance to allow the flight to be made.

In the course of our investigation, we attempted to corroborate as many allegations as possible. We reviewed flight logs where they were available and cross checked certain alleged flights with information from the El Paso Intelligence Center (EPIC) to verify tail numbers, plane ownership and flight times. We reviewed copies of bank records where they were available. We reviewed numerous other written documents.

The staff also looked at existing laws to see if they were being fully utilized and to see if there were any gaps that needed to be filled. Under the Foreign Assistance Act (22 U.S.C. 2291, as amended), the State Department annually prepares a list of countries which it deems to be either drug-producing or drug-transiting. The definition of a drug-transit country under that act includes one in which drug money is

laundered "with the knowledge or complicity of the government."[1] The Anti-Drug Abuse Act of 1986 provides that unless the President certifies by March 1 that a country on that year's list is cooperating in U.S. efforts to halt drug traffic, or that assistance to the country, despite its failure to cooperate, is vital to U.S. interests, that country will be subject to both mandatory and discretionary sanctions. Among the factors that the Presdient must consider in making his determination for each country on the list is whether or not that country has taken steps to eliminate money laundering. If the President determines that a country is cooperating sufficiently, Congress still has the opportunity to override that determination by passing a joint resolution within 45 legislative days, in which case the mandatory sanctions would apply. The discretionary sanctions may only be invoked by the President.

Some significant sanctions have been recently imposed against Panama, but not because of drug trafficking or money laundering. Rather, the sanctions came about as a result of the attack on the U.S. Embassy in Panama on June 30, 1987 and other human rights violations in Panama. That attack directly followed a Senate resolution (adopted on June 26, 1987) calling for democratic reforms and the withdrawal of the military from political affairs in Panama. Hence, as things stand now, there has been no official U.S. message by way of sanctions to Panama that we want Panama's drug trafficking and money laundering activities to stop. I have attached a list of the existing mandatory and discretionary sanctions to my testimony.

It is clear from investigation that official complicity in narcotics and money laundering operations must cease in order for there to be any meaningful cooperation between the U.S. and Panama in anti-narcotics efforts. It appears that wider use of available sanctions or imposition of new, more stringent sanctions is one way to induce corrupt officials to end their cooperation with drug traffickers.

Another possible aid would be negotiation of a Mutual Legal Assistance Treaty between the U.S. and Panama, giving the U.S. access to bank records in Panama. Officials we talked to all agreed that an MLAT would provide a significant tool to U.S. law enforcement officials enabling them to prosecute more successfully larger numbers of narcotics traffickers. Panama recently passed a money laundering statute that gives the Attorney General of Panama discretion to grant other countries access to Panamanian bank records. Perhaps that law could be fortified to guarantee consistent access to necessary information.

Lastly, it may be a good idea to negotiate an extradition treaty with Panama. This would give law enforcement agencies guarantees that Panama would not hide fugitives from U.S. justice.

## MANDATORY SANCTIONS

From the Foreign Assistance Act of 1961, amended by Title II of the Anti-Drug Abuse Act of 1986:

1. 50 percent of aid approved (excluding aid related to drug enforcement) shall be withheld for the current fiscal year, and 100% of such aid shall be withheld in subsequent fiscal years.
2. U.S. officials in international development banks must be instructed to vote against loans for that country.

From the Trade Act of 1974 as amended by Title IX of the Anti-Drug Aguse Act of 1986:

3. The country shall be denied a sugar quota; this effectively denies it the right to export sugar to the U.S.

## DISCRETIONARY SANCTIONS

From the Trade Act of 1974 as amended by Title TX of the Anti-Drug Abuse Act of 1986:

1. The President may deny preferential tariff treatment to any or all products of that country under the Generalized System of Preferences, the Caribbean Basin Economic Recovery Act, or any other such law.
2. The President may apply to any or all of the dutiable products of that country an additional duty at a rate not to exceed 50 percent of the worth of that product.
3. The President may apply up to a 50 percent duty on one or more duty-free products of that country.

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[1] This is to be distinguished from cases in which the official government policy is to promote production or distribution of illegal drugs. A different provision of the Foreign Assistance Act establishes additional sanctions for such countries (22 U.S.C. Sec. 2291-1).

From the Trade Act of 1974 as amended by Title VIII of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989:

4. The President may curtail air transportation between the U.S. and that country, suspend that country's air carrier rights to land in the U.S. and revoke the authority of any air carrier to service the country from the U.S.

5. The President *may* withdraw personnel and resources of the U.S. from participation in any arrangement with that country for the pre-clearance of customs by visitors between the U.S. and that country.

Senator ROTH. Mr. Kalish, let me ask you the most obvious question first. What direct payments did you make to General Noriega for the smuggling of drugs or the laundering of drug money?

Mr. KALISH. Senator Roth, there were several occasions where I paid Noriega money. For drug shipments, I personally paid General Noriega $250,000 as partial payment on the $1 million fee for the transshipment of the containers through Panama.

I also paid General Noriega $300,000 upon my first meeting with him in his home in Panama City.

There were several occasions when General Noriega received kickbacks from different transactions that I was involved in with the government. One in particular was the purchase of the executive helicopter I bought for General Noriega. The helicopter was valued at $1.65 million. However, I was issued a letter of credit for $1,995,000. There was $350,000 that was paid in kickbacks. Noriega received 1/3 of that.

There were several other payments to General Noriega involving loans that I made to the government, and other contracts that I had with the government. There was a $500,000 payment that I made at the request of General Noriega for the purchase of the 727/100 aircraft.

There was also $200,000 cash that he received upon the purchase of 25 percent of the company Servicios Touristicos.

Senator ROTH. So these are a series of payments that you personally know went to Noriega?

Mr. KALISH. Yes, sir. These are payments that I was personally present at while they were paid.

Senator, I spent millions of dollars in Panama trying to bring myself closer to General Noriega. Some were direct payments from my drug shipments, but others were to better my relations with the man: in the purchase of the executive helicopter; in the purchase of the 727/100 aircraft.

I made available to General Noriega—and in terms of dollars it could be considered several hundred thousand dollars—the use of my Lear jet which he used quite extensively on flights to Washington, D.C., to New York City, to Las Vegas, numerous flights. I also made several flights at his request for several other officials that traveled to and from Panama.

I also presented Noriega with several gifts. During Christmas I gave the general and his wife jewelry valued at $25,000 to $30,000. At Noriega's birthday party, I provided him with collector items, a rifle and two pistols which were valued at $20,000 to $25,000.

Senator ROTH. Now, let me go back to these direct payments. Did you keep a record of those payments?

Mr. KALISH. Yes, sir, I did.

Senator ROTH. Is this your record of these payments, or a photostat of those records?

Mr. KALISH. Yes, sir. What I would like to explain is: I was in the business of not creating a paper trail. However, these documents were found in my property just recently.

Those indicate payments to General Noriega. There's a $300,000 notation which is the gift that I gave to "Tony," gave to General Noriega at his home.

Senator ROTH. What does the word "Tony" mean?

Mr. KALISH. The General's name is General Manuel Antonio Noriega. His close friends refer to him as "Tony," and I also referred to him as Tony. [See Exhibit 1 on p. 49.]

Senator ROTH. So wherever "Tony" appears here, that indicates your accounting records show that you made a payment to him?

Mr. KALISH. Yes, sir, it does.

Senator ROTH. Now, let me ask you: How do we know you did not make this record up after you were seized?

Mr. KALISH. Senator, I was arrested in July of 1984. I have been incarcerated ever since. Pursuant to a plea bargain agreement with the United States Government, I forfeited several pieces of my property. I owned a home in Panama City and shipped to United States Customs in the United States all of my property out of my Panamanian home. These documents were discovered in a file cabinet. I have not had access to these documents since my arrest.

Senator ROTH. Let us again look over at this document. As I understand it, that $1,995,000 was a loan to purchase the helicopter; is that correct? [See Exhibit 1 on p. 49.]

Mr. KALISH. Yes, sir. An executive jet helicopter.

Senator ROTH. Now, would you explain how that transaction worked?

Mr. KALISH. Sir, I was asked by General Noriega to assist in the purchase of a helicopter. The Forces of Defense related to me that their budget would not allow for the purchase of a helicopter, especially for $2 million. I agreed to do so. I paid $1,995,000 in Noriega's behalf to Enrique Pretel, Cesar Rodriguez, and the helicopter company in Dallas, Texas.

I was promised repayment of these moneys, and to guarantee that promise, Noriega instructed the National Bank of Panama to issue an irrevocable letter of credit to my company—my company being Servicios Exclusivos de Panama. [See Exhibit 2 on p. 50.]

Senator ROTH. Now, can you see this blown-up document here?

Mr. KALISH. Yes, sir.

Senator ROTH. What does that represent?

Mr. KALISH. That is a copy of the irrevocable letter of credit from the National Bank of Panama.

Senator ROTH. What is the National Bank of Panama?

Mr. KALISH. It is the central bank in the country of Panama.

Senator ROTH. For the government?

Mr. KALISH. Yes, sir, for the government.

Senator ROTH. And this is an irrevocable letter of credit doing what?

Mr. KALISH. This guarantees that if the Forces of Defense ever default in their monthly payments to me, I can present this letter of credit to the National Bank of Panama, and it will be paid in full for $1,995,000.

Senator ROTH. In other words, you made $1,995,000 available for a helicopter that I think you said cost $1,695,000.

Mr. KALISH. Yes, sir. That is correct.

Senator ROTH. In return, as a guarantee, the Defense Forces, through the bank, issued this letter of credit which guaranteed you payment; is that correct?

Mr. KALISH. Yes, sir, that is.

Senator ROTH. Are they still paying you for this helicopter?

Mr. KALISH. Yes, sir, they are.

Senator ROTH. When was the last payment received?

Mr. KALISH. The Forces of Defense have continued to pay me for the past 4 years on this contract that I have with them for the helicopter. I received a check from the Forces of Defense just recently, several days ago.

Senator ROTH. The last payment was made several days ago. So the indebtedness is continuing to be acknowledged?

Mr. KALISH. Yes, sir. And these payments, I might add, are transferred to the U.S. Customs Service and have been. It is part of my plea bargain agreement with the United States Government that I forfeit these checks.

Senator ROTH. Now, these payments being made by the Panama Defense Forces include the total amount, will pay the full $1.9 million; is that correct?

Mr. KALISH. Yes, sir, that is correct.

Senator ROTH. And that includes $300,000 kickback of which you received $100,000 and General Noriega received $100,000; is that correct?

Mr. KALISH. Yes, sir, that is correct.

Senator ROTH. So, in effect, the Defense Forces were making a kickback, according to your testimony, to Noriega.

Mr. KALISH. Yes, sir, that is correct. And in every business agreement I had with General Noriega in Panama, this was the standard operating procedure.

Senator ROTH. In other words, you are saying that no transaction, no landing, no activity involving your drug activities in Panama could be conducted without making some kind of a payment to the General?

Mr. KALISH. Yes, sir. That is essentially correct. Not all moneys were paid to the General. I paid moneys to several other officials in the Panamanian Defense Forces. I paid money to several different majors that were in the Defense Forces.

However, General Noriega was certainly aware of these payments. For example, my landing in Omar Torrijos Airport, there was always money exchanged with one of the military officials at the airport just as consideration on my part. Certainly not expected and certainly not necessary.

Senator ROTH. How much were these payments?

Mr. KALISH. Several hundred dollars upon each landing.

Senator ROTH. Why don't you explain that operation?

Mr. KALISH. Yes, sir. At Omar Torrijos Airport, the Panamanian Air Force has a base of operations at the far corner of it. To avoid being observed by whatever U.S. officials were in Panama at the time, we would taxi directly to the Air Force base, which would allow us to disembark from the aircraft without being observed by

anyone. We could take whatever luggage and whatever equipment we were bringing to Panama, and place it directly into our vehicles, and exit from the military side of the airport.

Senator ROTH. Your activity involved, as you have already indicated, not only the General, but a number of others in the Panama Defense Forces. Can you go into a little detail how widespread this activity was in the military and among other officials of the Panamanian government, to your personal knowledge?

Mr. KALISH. Yes, sir. I had met several high-ranking military officials. I knew Colonel Purcel, who was head of the Air Force in Panama. I had met Colonel Justinez, who is in charge of G-4, the accounting department in the military. I was associated with a Major Perez, who was stationed in Panama City. I was associated with a Major Fundora, who was also stationed in Panama City.

There are several others that I cannot recall at the moment. I always felt that it was in my best interest to become friends with as many of these officials as I could. Cesar Rodriguez was very close to all of these individuals, and most of these military personnel I met in the presence of Cesar Rodriguez. I just felt it was prudent for me to maintain good relations with these people.

Senator ROTH. Now, let me make sure I understand what you are saying. I ask you to be very careful.

You mentioned a number of individual names, at least two colonels and a major. Are you saying from your personal knowledge that you know that they had knowledge or were involved in drug activities?

Mr. KALISH. I did not have personal communications with Colonel Purcel or Colonel Justinez in regards to my drug activities in Panama.

Senator ROTH. Did they have knowledge, say, of General Noriega's activities?

Mr. KALISH. It would be impossible for them not to have knowledge of my activities. They observed my comings and goings between the country of Colombia and Panama. They observed me carrying heavy suitcases from my aircraft on several occasions.

Senator ROTH. Let me go back to the note you referred to in your testimony. Who is Denise, and what was the occasion for her receiving the note that you mentioned in your testimony? Here is the note here. [See Exhibit 3 on p. 51.]

Mr. KALISH. Yes, sir. Denise is my wife. She was my girl friend at the time. I had been invited to the interior of Panama to General Noriega's ranch. I flew my wife in from Los Angeles, California, and she came to the ranch.

Unbeknownst to me, General Noriega had prepared a bouquet of flowers and written this note for my wife.

Senator ROTH. Now, how do we know that this note was not written by somebody else?

Mr. KALISH. Well, at the time, there were four people at the ranch: myself, my future wife, General Noriega, and his girl friend.

Senator ROTH. The question I am asking is: How do we know that you did not make up the note, write the note yourself?

Mr. KALISH. The note was discovered in a search of a vehicle in Tampa, Florida. After my arrest in July of 1984, the FBI searched my belongings and discovered this note in one of my wallets.

Senator ROTH. Would you read into the record what the note says?

Mr. KALISH. Yes, sir.

"Miss Denis, welcome to Panama. Your friend, General Noriega, 18 February 1984, Panama."

Mr. BUFFONE. Senator Roth, I think Mr. Kalish has something to add to that last response.

Mr. KALISH. Yes. There were five individuals at the ranch that I referred to earlier.

Senator ROTH. Instead of the four.

Mr. KALISH. The fifth individual was a sergeant who did the cooking while we were there.

Senator ROTH. At this time, I would like to yield to the distinguished chairman, Senator Nunn.

Senator NUNN. Thank you very much, Senator Roth.

Recapping for a moment, Mr. Kalish, is it your testimony you personally told General Noriega that you were engaged in drug trafficking?

Mr. KALISH. Yes, sir, it is.

Senator NUNN. Is it your testimony that you told him you were engaged in illegal drug trafficking?

Mr. KALISH. Yes, sir, it is.

Senator NUNN. No doubt that he knew that.

Mr. KALISH. No question in my mind.

Senator NUNN. Did you tell General Noriega that the monies you planned to invest in Panama were the profits of your illegal drug activities?

Mr. KALISH. Yes, sir. Specifically, I told him they were profits from my marijuana smuggling activities.

Senator NUNN. Was anyone else present besides you and General Noriega when you had these conversations?

Mr. KALISH. Yes, Senator. Enrique Pretelt was present on a number of occasions, as well as Cesar Rodriguez.

Senator NUNN. Now, what has happened to those two individuals?

Mr. KALISH. Cesar Rodriguez was murdered in Medellin, Colombia. Enrique Pretelt is currently living in Panama City.

Senator NUNN. So, one of those people is still alive and in Panama City.

Mr. KALISH. Yes, sir, that is correct.

Senator NUNN. Is it your testimony you personally delivered payments of money to General Noriega in exchange for his assistance with your illegal drug activities in Panama?

Mr. KALISH. Yes, sir, that is correct.

Senator NUNN. In fact, you did that on several occasions.

Mr. KALISH. Yes, sir. Several.

Senator NUNN. In addition, your testimony, according to the chart on the stand to your right, is that it was over $4 million in either money or gifts in kind that you delivered to General Noriega?

Mr. KALISH. Mr. Senator, I am not sure what the exact total is. But, yes, it was millions of dollars.

Senator NUNN. It was millions of dollars.

Now, when you went to Panama the first time, did you have contact with Mr. Rodriguez?

Mr. KALISH. That is correct.

Senator NUNN. And, shortly thereafter, did you have contact with General Noriega?

Mr. KALISH. Yes, sir. The very next day.

Senator NUNN. The very next day.

Is it unusual in the drug business to go to a country and go right up the ladder and meet with the top leader?

Mr. KALISH. Yes, sir. I was quite surprised at this.

When I was told that I would be meeting General Noriega, I had no idea who General Noriega was. It had to be explained to me that he was actually the military ruler of Panama.

Senator NUNN. Was he also the President of Panama at that time?

Mr. KALISH. I am not certain. I do not believe so.

Senator NUNN. During the course of your drug activities, did you pay off individuals in the United States?

Mr. KALISH. No, sir, I did not. I was associated with a Teamster official in Detroit, Michigan, who was to pay a U.S. Customs official in New York City.

Senator NUNN. Can you tell us about that? Who was that, what was the amount, and so forth?

Mr. BUFFONE. Senator Nunn, Mr. Kalish is involved in several ongoing grand jury investigations that may well lead to indictments. I have advised Mr. Kalish that, unless you instruct him to the contrary, it would be well to not name certain individuals that we believe are under investigation, but to identify them generically for you.

Senator NUNN. All right. Could you give us the generic information, then?

Mr. KALISH. Yes, sir. There was an individual in the Detroit, Michigan, area associated with the Teamsters' Union that provided us with the vehicles we used in the transporting of our marijuana. We had decided to attempt an importation into the United States into a U.S. commercial port using containers on a cargo ship.

The individual in Detroit, Michigan, reported to me that he had a source in the U.S. Customs Service that would permit the entering of these containers into the United States. I paid this gentleman in Detroit approximately $825,000 for payments to his Customs source, as well as payments for the vehicles I was going to need for this operation.

Senator NUNN. Did you ever have personal contact with the Customs source?

Mr. KALISH. No, sir, I did not.

Senator NUNN. Was the name of the Customs source ever revealed to you?

Mr. KALISH. It was not.

Senator NUNN. You do not know the name?

Mr. KALISH. No, sir, I do not.

Senator NUNN. Do you know if, in fact, that money was delivered to a Customs agent?

Mr. KALISH. No, sir, I do not.

Senator NUNN. So, all you know at this stage is that you delivered the money to an individual in Detroit, who said that he was going to turn it over to an individual in the Customs Service, is that right?

Mr. KALISH. Yes, sir.

Senator NUNN. Or more?

Mr. KALISH. One individual in the Customs Service who would be on duty at the time the containers arrived into the port of New York.

Senator NUNN. You do not personally know whether that ever occurred?

Mr. KALISH. No, sir, I do not.

Senator NUNN. As far as you know, that individual could have been keeping the money and just telling you a lie?

Mr. KALISH. Yes, sir. That is possible.

Mr. BUFFONE. Senator Nunn, with your indulgence.

[Pause.]

Mr. BUFFONE. Thank you, Senator.

Senator NUNN. How about other individuals in the United States or any other State or local Government? Did you on any occasion involve such individuals in payoffs?

Mr. KALISH. No, sir, not in the United States.

Senator NUNN. You mentioned in your testimony that you were planning to send a large marijuana shipment up the Mississippi River on a barge. Is that right?

Mr. KALISH. That is correct, Senator.

Senator NUNN. Did you, in fact, carryout that operation?

Mr. KALISH. No, sir. I was arrested prior to the actual importation.

Senator NUNN. Were you involved in marijuana exclusively, or did you import other drugs?

Mr. KALISH. No, sir. I was associated with two—one shipment of cocaine from Colombia into the United States. That was a 1,000-kilogram importation into the State of Louisiana. The shipment was with some individuals in Medellin, Colombia. I had a peripheral role in the affair, although I was instrumental in making the introductions.

Senator NUNN. That was on one or two occasions?

Mr. KALISH. One actual importation, Senator.

Senator NUNN. Would you give us an estimate of how many shipments of marijuana you brought into the United States?

Mr. KALISH. Fifteen, 20 large shipments of marijuana.

Senator NUNN. Would you give us an estimate of the amount of money you derived from such illegal narcotic activity over your career?

Mr. KALISH. Approximately $20, $25 million.

Senator NUNN. Were you the top man in your organization, or was somebody above you?

Mr. KALISH. Upon my arrest in 1984, I was the top man in my organization. Prior to that, there were other individuals who had seniority in the organization, who certainly had more money than I had, and had certainly been more successful in the business than I was.

Senator NUNN. What was the situation? Had they retired and you had taken over?

Mr. KALISH. There were disagreements, as there usually are in these type of organizations. There were arguments over the profits that were realized from different importations.

Our particular organization consisted of three separate groups which came together in late 1981. There was a group of individuals from the Detroit, Michigan, area who were responsible for the distribution of the marijuana. There was a group of individuals from Texas who I was associated with, who specialized primarily in the off-loading and the logistics of the actual importation. Then there was the Lee Ritch group from the Tampa, Florida, area who maintained the contacts with the Cayman Islands, the Colombians, and also assisted in the distribution of the marijuana.

Senator NUNN. In effect, by the time you were arrested, you were in charge of all three groups?

Mr. KALISH. Yes, sir, that is correct.

Senator NUNN. How many people were involved in each group?

Mr. KALISH. Approximately 50 to 60 people in each group. At the time of my arrest, there were approximately 180 people working for the organization.

Senator NUNN. Before you were the head man, how many people were above you in the organization?

Mr. KALISH. Two.

Senator NUNN. Have you given their names to Federal officials?

Mr. KALISH. Yes, sir, I have.

Senator NUNN. You have cooperated fully on that?

Mr. KALISH. Yes, sir, I have.

Senator NUNN. I will refrain from asking additional questions regarding those individuals, since I understand there are pending investigations on that subject.

You have had a lot of experience in narcotics trafficking. Were you also a user?

Mr. KALISH. Yes, sir. I used marijuana daily for many years.

Senator NUNN. Do you consider your use of marijuana to have been addictive or simply a habit?

Mr. KALISH. It was simply a habit, Senator.

Senator NUNN. Do you consider marijuana addictive?

Mr. KALISH. No, sir, I do not.

Senator NUNN. Do you consider it harmful?

Mr. KALISH. Yes, sir, I do.

Senator NUNN. In what way?

Mr. KALISH. Senator, I believe that any drug can be harmful; in particular, marijuana causes the individual to lack the drive he needs to accomplish his goals in life.

I think the biggest harm that comes from the use of marijuana is the use of the drug by younger children in our country today.

I have been incarcerated for 43 months now, and for the last 19 months I have served this time in the county jails across the United States. In these county jails, I see people that come directly from the street that have destroyed their lives from the use of drugs. Although it may not be specifically marijuana, marijuana has certainly led to their downfall.

I feel a great deal of remorse and responsibility for my crimes. I have done my best, and this is one step, in repaying my debt to society. I think that the drug problem is a serious problem in this country, and I have many thoughts on how to deal with it.

Senator NUNN. Well, that is the next question. Since you have observed U.S. law enforcement efforts from the other side of the fence, what do you think of them?

Mr. KALISH. Well, I think that you have made great steps in the right direction over the past couple of years with the legislation that has been passed.

Senator NUNN. Which legislation in particular?

Mr. KALISH. I think that the Anti-Drug Abuse Act of 1986 will begin to show significant results in the very near future.

Senator NUNN. Because of what features—penalties?

Mr. KALISH. Because of the increased moneys allocated to the U.S. Customs Service, to the Drug Enforcement Administration, and the increased penalties.

I believe that you must trace the money, Senator. The money is the reason that we all become involved in this business. I believe that if you could eliminate Panama as a secure banking haven for people involved in the drug business, I think that you would take away one of their major tools that assists them in their importations of drugs into the United States.

I believe the problem of drugs in this country, Senator, is a result of the demand for these drugs in the United States. I believe that as long as there is a demand in this country for marijuana, for cocaine, and for other drugs, there will always be these Colombians and these Americans that are willing to supply those drugs.

The monies are just too great.

Senator NUNN. Are you saying that one of the primary focuses of governmental efforts in combatting drugs should be to try to get the demand down and educate the American people?

Mr. KALISH. Absolutely, Senator. I believe that sound drug awareness programs are the key to stopping the drug problem in this country.

It's very important that the children of this country realize the dangers that they're facing, and realize that drugs will eventually destroy their lives.

Senator NUNN. Did you realize this while you were selling drugs?

Mr. KALISH. No, sir, I didn't. As I said, I was involved in drug trafficking at a very high level. I was insulated from the events surrounding me. I did not see what was happening to people in this country.

When I was arrested in 1984, the problems weren't nearly as severe as they are today.

Senator NUNN. You think the drug problem has gotten worse?

Mr. KALISH. Yes, sir, much worse.

Senator NUNN. Is it worse for marijuana, cocaine or heroin, or all three? For which drugs have we seen an increase in usage?

Mr. KALISH. Specifically cocaine, Senator. Specifically crack cocaine.

Senator NUNN. What do you consider to be the most dangerous drugs now being used widely?

Mr. KALISH. Cocaine.

Senator NUNN. Why?

Mr. KALISH. Because it is destroying an entire generation of youth in this country.

Senator NUNN. Thank you, Senator Roth.

Senator ROTH. Could I just ask one quick question based on what Senator Nunn has just elicited from you? Is it true that if we could stop money laundering, that would be a major blow in the drug trafficking?

Mr. KALISH. Absolutely, Senator. Without the accessibility of the banks, and the ability for us to use these banks to launder these monies back for the purchase of our equipment in our operations, back for the purchase of our homes and our jets, it would cripple us terribly.

Senator NUNN. Senator Roth, maybe we better take a brief recess now. We've got a vote on, so let's take about a 10-minute recess.

[Recess.]

Senator NUNN. We will come to order.

Senator Roth?

Senator ROTH. Thank you, Mr. Chairman.

Mr. Kalish, now you have testified that during your first meeting with Noriega, you made it very clear that you had lots of money. Did you say how much?

Mr. BUFFONE. Mr. Roth, with your indulgence, Mr. Kalish would like to amplify one of his answers that he gave as you were leaving for the vote, if we could come back to that question?

Senator ROTH. Yes, that would be fine.

Mr. KALISH. I would like to address the issue briefly on your question of how to help interdict the drugs flowing into the United States.

I failed to mention that we as drug smugglers always knew that we outnumbered the U.S. authorities. I believe that the U.S. Customs Service and the Drug Enforcement Administration can never, at their level of agents in the field today, stop us from our drug trafficking.

I also wanted to clarify the issue of my organization. The organization I was associated with was directed by three individuals. Certainly, Michael Vogel and Lee Ritch, who were my partners in the organization, exerted at least as much authority over our operations as I did.

Senator ROTH. Let me go to your first comment, because it's a matter that concerns me, that is, how do we get enough agents and other personnel to effectively attack the drug problem.

Now, you've talked in your own specific case of huge amounts of money. But that's merely a small pebble, isn't it, of the total amount available to those involved in drug smuggling?

Is there any way that government, even if it spent billions, would begin to meet the kind of resources available to the drug smuggling people?

Mr. KALISH. Senator, I believe that if they directed their efforts in different areas, for instance, in the tracing of wire transfers into the United States. I know that there are hundreds of thousands of wire transfers. But there aren't hundreds of thousands of wire transfers from the country of Panama.

I believe that if there were more agents in the field to investigate the cases that are before them, they would be able to successfully prosecute more cases.

It is just impossible—and I have realized this since I have begun to cooperate with the authorities—that there just are not enough agents to investigate all the leads, even the leads that I have given the authorities.

Senator ROTH. I would like to go back to a question that I raised previously and that is, money laundering.

Do you believe that the money laundering operations is an area that would be good to concentrate on in order to effectively cripple drug smuggling?

Mr. KALISH. Yes, sir, absolutely. If you take the profit out of the drug trade, there won't be those to follow in my footsteps.

Senator ROTH. Let me go back to my earlier question of your first meeting with Noriega. Did you have a—we'll skip that for a moment, because I think those questions were asked by the Chairman—did you have a fixed arrangement as far as money is concerned with Noriega? If so, what was it?

Mr. KALISH. Yes, sir, in regards to the transshipment of the containers of marijuana through Panama, the agreement was, $4 million, to be paid for the transshipment; $1 million in advance, $3 million upon the completion of the operation.

In addition, all the proceeds from this operation would be returned to Panama, and these proceeds would be laundered through the Panamanian banks.

Senator ROTH. Now, you were told to bring at least $2 million for your first meeting in Panama. Who so instructed you?

Mr. KALISH. I was instructed by an individual in the South Florida area who is currently assisting this investigation. Senator, I don't know if I should mention this individual's name at this time.

Senator ROTH. Well, we won't insist on that.

But let me go back to this. How much did you actually pay Noriega of the promised $4 million, or where he asked $4 million?

Mr. KALISH. Yes, sir. I paid General Noriega $250,000 as the first payment of the $1 million payment that I had agreed to pay General Noriega, Cesar Rodriguez, and Enrique Pretel, for their assistance in Panama.

Senator ROTH. Now, I understand you deposited $2 million of your money in a bank in Panama on your first visit there. The clerk will show you a deposit slip dated September 23rd.

Is that where you put the money?

Mr. KALISH. Yes, sir, that's correct.

Senator ROTH. You mentioned that during your time in Panama, you acquired three passports. How difficult were three passports to come by, particularly the diplomatic one?

Mr. KALISH. They were no trouble at all, Senator. I acquired each of the passports at different times.

Senator ROTH. Why was it no trouble at all? Isn't it normally pretty difficult to get several passports?

Mr. KALISH. Yes, sir, it is, but not when the military ruler of the country is authorizing you to receive these passports.

Senator ROTH. So you're saying that Noriega played a role? What was his role in this?

Mr. KALISH. He approved of the passports. I specifically spoke to General Noriega in regards to the diplomatic passport. I told him that I was concerned that I wanted to be an accredited diplomat at some point while I was living in Panama.

And prior to the purchase of this passport, I wanted to know that it would be authentic.

Senator ROTH. How much did you pay for the passports?

Mr. KALISH. Excuse me, Senator?

Senator ROTH. Did you pay anything for the passports?

Mr. KALISH. Yes, sir, I did. For the first passport I obtained, I paid $25,000. For the diplomatic passport that I obtained, I paid $60,000.

Senator ROTH. Who did you pay the sums to?

Mr. KALISH. To Cesar Rodriguez.

Senator ROTH. Now, we have a document here of your accounting sheets, which show a $60,000 payment, listed as passport. The clerk, I think, has given you a copy.

Does that reflect your payment for the diplomatic passport?

Mr. KALISH. Yes, sir, that reflects the payment I made to Cesar Rodriguez for the diplomatic passport. [See Exhibit 4 on p. 52.]

Senator ROTH. When were these sheets made and how were they obtained by the U.S. authorities?

Mr. KALISH. As I testified to earlier, Senator, these sheets were found in the shipment that was made to United States Customs pursuant to my plea bargain agreement.

I had an entire container of furniture and office equipment, filing cabinets, and so forth, delivered to the United States. U.S. Customs received this container, and found these documents.

Senator ROTH. What was the need for the passports?

Mr. KALISH. Senator, I was always looking for new forms of identification. I had initially approached Cesar Rodriguez in an effort to obtain a passport in the assumed name of Frank William Brown.

I was travelling extensively in Columbia and several other countries that required a passport for travel. I did not wish to travel under my own name. I did not have a passport in my own name.

Therefore, I acquired the Panamanian passport.

Senator ROTH. Now, I'd like to turn for a moment to the Lear jet that you and your partner purchased in the United States. Was this Lear jet registered as N39292?

Mr. KALISH. Yes, sir, that's correct.

Senator ROTH. Now, we have a Department of Transportation document which shows Lear jet N39292 as being owned by Personal Jet Management Leasing, Inc. [See Exhibit 5 on p. 53.]

Is that one of your companies?

Mr. KALISH. No, sir, the company belongs to an individual in Ft. Lauderdale. The company was created upon my direction for the purchase of this aircraft.

Senator ROTH. Why did you have the company set up by this individual? What was the purpose of that?

Mr. KALISH. The purpose of it was to hide the money that actually purchased the aircraft. We wanted to insulate ourselves from any possible forfeiture to the United States Government of this aircraft if in fact they ever realized that it was owned by drug smugglers.

There were attorneys hired in the Cayman Islands that negotiated with attorneys in the Florida area. They incorporated an additional company in the Cayman Islands named Jet Finance.

Jet Finance became the lien holder of this aircraft, although it was owned and operated by Personal Jet Management & Leasing; the actual lien holder was Jet Finance of the Cayman Islands.

Later on, I incorporated an additional company in Panama called Jet Finance of Panama, and had the lien transferred to the Panamanian corporation.

Senator ROTH. So all three of these corporations were actually involved? I think we have documents referring to them, but they were all involved in your operation?

Mr. KALISH. Yes, sir, they are. I used all these corporations in an effort to conceal the true ownership of the aircraft.

Senator ROTH. Was there any other reason for setting them up in this way?

Mr. KALISH. To prevent the U.S. authorities from seizing the jet at any time.

Senator ROTH. Now, you also said you bought airplanes for Noriega. Why would he need you to buy airplanes for him? Why didn't he just buy them himself with government funds?

Mr. KALISH. Senator, Panama is a very small country, and the Forces for Defense have a very limited budget. Noriega knew that I had millions of dollars in Panama that I was willing to invest, and he knew that I would be favorable toward investing these monies at a high rate of return.

He approached me in regards to the 727-100 jet aircraft. He approached me and asked if I would negotiate with a company in Panama City, which I did.

Senator ROTH. Now, what planes did you actually buy or help finance for him?

Mr. KALISH. As I just stated, the 727-100 aircraft. I made a $500,000 down payment on this aircraft. I believe there's a check reflecting that payment.

I also assisted in obtaining the financing for this aircraft from the company in Panama City.

I also purchased an executive helicopter for General Noriega with my own funds, as the letter of credit reflects. My cash outlay was $1,995,000, although I immediately recovered $100,000.

I also gave to the General, after my arrest, a helicopter that had been seized at the cocaine lab in the Panamanian jungle. Due to my assistance in that particular affair, the Medellin Cartel had given to me an Aero Commander 1000, valued at $1 million. They also gave me the helicopter that the Panamanian Government had seized. And they also gave me a substantial amount of cash.

The cash came from the monies that I recovered from the bribes to Colonel Melo and other businessmen in Panama City.

Senator ROTH. Were any kickbacks involved in these transactions?

Mr. KALISH. Yes, sir, in all of the transactions, as I've said. In particular, on the 727-100 aircraft, after I made the $500,000 downpayment, I was given the bill of sale and title to a Panamanian turboprop aircraft, a Lockheed Electra.

I was given this aircraft. I was told to sell the aircraft in Ft. Lauderdale, and take the proceeds of this aircraft and repay my $500,000 deposit, and divide the rest of the monies with General Noriega and myself. [See Exhibit 6 on p. 54.]

Senator ROTH. Now, we have a document here showing payment from your account to Aeronautics and Astronautics for $500,000. Is this related to the purchase of the first 727?

Mr. KALISH. Yes, sir, that's a check I wrote on my personal account.

Senator ROTH. Was there a kickback involved in that, and from whom?

Mr. KALISH. Actually, the kickback was, I was given title to a Lockheed Electra aircraft valued at $1 million.

Senator ROTH. We have a document here showing a sale of a Lockheed Electra by the Panama Defense Forces to a Personal Jet Management Leasing, Inc. Is this the same Lockheed Electra you were given in return for purchasing a plane for Noriega? [See Exhibit 7 on p. 55.]

Mr. KALISH. Yes, sir, it is.

Senator ROTH. I want to make certain the record is clear on this. The chart shows a copy of the irrevocable letter of credit dated December 21st, 1983, from the National Bank of Panama, made out to Exclusive Service of Panama, to Anglicize it.

What is your relationship to this company?

Mr. KALISH. Senator, I incorporated Servicios Exclusivos de Panama myself in Panama. I am sole owner of that corporation, and I hold all shares in that corporation.

I believe the shares are presently in the custody of the United States Government.

Senator ROTH. All right, let me again ask you, how did you come by this letter of credit? Would you explain that carefully?

Mr. KALISH. I asked for some type of guarantee.

Senator ROTH. You asked who?

Mr. KALISH. I discussed with General Noriega and Enrique Pretel that, the fact that I would like some sort of guarantee that the forces of defense would continue to make these payments, regardless of whether I was in Panama or not.

I discussed it with my banker. My banker instructed me to request an irrevocable letter of credit. Noriega agreed to the terms and instructed the chairman of the National Bank of Panama to issue me an irrevocable letter of credit for that amount.

Senator ROTH. Now am I correct in my understanding that the payments have continued to be made to you, but not through the letter of credit; you haven't had to draw on that?

Mr. KALISH. No, sir, I haven't had to draw on the letter of credit. The Forces of Defense have continued to make these payments.

Senator ROTH. As you said, they have recently made a payment, which of course was seized by the U.S. Customs.

Mr. KALISH. Senator, these funds are not actually seized. The way this works, the Forces of Defense deliver to my bank in Panama a check each month. The value's determined through a number of ways. I in turn take this check and wire it to a U.S. Customs account in the United States.

Senator ROTH. What is the sum of these checks?

Mr. KALISH. At the present they're approximately $36,000 a month.

Senator ROTH. And as I asked you earlier, the payback includes the $300,000 that was the sum of the kickback?

Mr. KALISH. Yes, sir, that's correct.

Senator ROTH. You also mentioned that Noriega used your Lear jet on occasion. Why did he want to use your Lear jet rather than his own in flying to Washington?

Mr. KALISH. Senator, the Lear that I owned and operated was a late model Lear jet. We had spent in excess of $150,000 just in redoing the interior of the aircraft. It was, quite frankly, a very beautiful aircraft.

Noriega had nothing like this at his disposal. And I felt it would be prudent to offer this jet to Noriega for his use.

He also knew that we kept excellent maintenance records on this aircraft, and he could feel safe flying in it.

Senator ROTH. Now, we have as Exhibit 8 a flight log—and Mr. Chairman, I would ask that all these Exhibits 1 through 9 be included as part of the record. [See Exhibit 8 on p. 56.]

Senator NUNN. Without objection, they will be so included.

Senator ROTH. Mr. Kalish, these flight logs show a flight of N39292 from Panama to several destinations, including Washington, D.C. Is that the flight you referred to in your testimony?

Mr. KALISH. Yes, sir, it is.

Senator ROTH. What did Noriega tell you about his alleged meeting with President Reagan?

Mr. KALISH. Upon General Noriega's return to Omar Torrijos Airport, I was invited to wait for Noriega in the receiving line.

He stopped at the receiving line and informed me that he had discussed with President Reagan two issues. One was the fact that the United States wanted Panama to open up its bank for U.S. scrutiny.

The second issue was, the President wanted Noriega to assist in fighting the communists in Nicaragua. Noriega assured me that he would never open up the banks in Panama.

Senator ROTH. Now, you have no personal knowledge; you're merely repeating what you were told, is that correct?

Mr. KALISH. Yes, sir, I'm merely repeating what General Noriega told me in Panama.

Senator ROTH. Now, you say you paid off Panamanian officials in order to obtain custom seals. Whom did you actually pay?

Mr. KALISH. I paid the head of Aduana, which is Customs in Panama, $180,000 for customs seals for the containers.

Senator ROTH. I'm going to ask one more question, then I think maybe Senator Sasser has some questions he'd like to ask.

Did you file customs currency reporting forms before you made that first trip?

Mr. KALISH. No, sir, I never filed customs currency forms.

Senator ROTH. Why not?

Mr. KALISH. Because I was transporting illegal funds, and they would be seized.

Senator NUNN. Senator Sasser?

Senator SASSER. Thank you, Senator Roth. Thank you, Mr. Chairman.

Mr. Chairman, I have a statement which I would like to have inserted in the record at this point.

Senator NUNN. Without objection.

[The statement of Senator Sasser follows:]

OPENING STATEMENT OF SENATOR SASSER

Mr. Chairman, I'd like to thank you and Senator Roth for organizing this hearing to look into the alleged participation of Panamanian officials in narcotics trafficking and narcotics-related money laundering. The international drug trade is as lucrative as it is insidious, and I find it profoundly disturbing that Panama, a country of vital importance to United States interests, and the name of General Noriega, continue to be mentioned so frequently in connection with this dirty business. One senior law enforcement official described Panama as "the corporate center for drug trafficking." So, I'm glad to be here today to look into this matter. It is one which concerns me greatly and which, I am sad to say, has had an increasing impact on my home State of Tennessee.

During the past few years, our Federal law enforcement agencies have stepped up efforts to curtail the multi-billion dollar illicit drug trade. Their efforts have shown some very concrete successes and they are to be commended for their work. Money laundering activities in Panama have apparently increased.

Given the enormous profits to be made in the drug business, it is not surprising that drug dealers have become more imaginative at sneaking their deadly cargo into the United States. They are now leap-frogging the coastal States to avoid detection and interdiction and are landing further inland—in States like Tennessee. These States have large numbers of small, rural airports which are attractive targets for the illicit drug trade. For example, law enforcement officials in my State have identified over 30 such airports and airstrips which are particularly alluring to drug smugglers driven away from the Gulf Coast.

For example, in 1982, in Cleveland, Tennessee, law enforcement agents confiscated 1,200 pounds of pure cocaine worth nearly $600 million. They also seized vehicles and weapons and $450,000 in cash. As of June of 1986, this seizure was the second largest cocaine seizure in U.S. history. The cocaine was believed to have been flown into Tennessee directly from Colombia. The profits from those drugs—worth an estimated $600 million—and the $450,000 in cash may well have been headed for the money laundering banks of Panama had they not been confiscated. One point the testimony in this hearing has driven home so far is that drug trafficking is a booming international business and the potential profits are apparently well worth the risks of participating in this underground industry. How can we stop the illicit drug trade?

Interdiction clearly is not enough. Stiffer penalties are not enough. It is clear that we must find ways to lower the profit margin of drug traffickers if we hope to stop the flow of drugs into this country. In addition to doing what we can to abolish demand for drugs and stepping up our interdiction and law enforcement efforts, we must also pay a little more attention to the supply-side of the drug economy. By all accounts, Panama is an extremely important factor in the equation.

I also look forward to hearing Mr. Rosenblatt's testimony regarding customs service coordinated efforts to stop drug smugglers at our borders and to confiscate illicit drug trade cash profits on their way to Panamanian banks to be laundered.

Senator SASSER. Mr. Kalish, the airplane that General Noriega flew to Washington, the Lear jet I think you characterized it as a Lear 35, is that correct?

Mr. KALISH. Yes, sir.

Senator SASSER. This is the Lear jet that you had spent so much money refurbishing the interior on. Was this the same Lear that you originally went to Panama in? And that the DEA reported to Panamanian intelligence that you had landed?

Mr. KALISH. No, sir, it was not.

Senator SASSER. So it was a different aircraft?

Mr. KALISH. Yes, sir, it was.

Senator SASSER. To your knowledge, had the Drug Enforcement Agency fingered this Lear 35, so to speak—that is, identified it with you?

Mr. KALISH. No, sir, they did not.

Senator SASSER. Now, let me just ask you a few questions about money in the operation. I assume that you got involved in the drug trade for the money; is that correct?

Mr. KALISH. Yes, sir, that's correct.

Senator SASSER. And you were amassing so much currency that, according to your statement, it was filling rooms in Tampa?

Mr. KALISH. Yes, sir, that's correct.

Senator SASSER. And so the medium of exchange was currency of course, and it was counted in Tampa. When did you transport the currency to Tampa?

Mr. KALISH. Tampa was a staging area for the transshipment of the monies to the banking havens that we were using.

At that time, we were using the Cayman Islands. We encountered several problems over the shipments of such large amounts of money.

We, at one particular bank, we delivered $12 million in $20 bills, and the head offices in Nassau refused to accept any more small bills from us.

In addition, the Colombians had their own resources for shipping their monies abroad. I was instructed to pay them approximately $25 million in Miami. And therefore, Tampa was a staging area for the shipments of these monies to Miami.

Senator SASSER. Did you bank any of this money in the United States?

Mr. KALISH. No, sir, we did not.

Senator SASSER. In other words, you had no contact, no intercourse, with banking facilities here in the United States of America with regard to the cash that you derived from the sale of drugs?

Mr. KALISH. Senator, it was our decision not to associate with any banks in the United States. The reason being, the monies were too available for forfeiture and seizure by the United States Government.

We preferred to ship our monies overseas to where the United States authorities would not have access to it.

Senator SASSER. And so you would transport this money in cash?

Mr. KALISH. Yes, sir, we would, in suitcases, in cartons; different ways.

Senator SASSER. Just as a matter of curiosity, you said that in Tampa rooms were filling up with currency and you were counting the money with money-counting machines but still you couldn't keep track of it.

Who counted the money? Employees?

Mr. KALISH. Yes, sir, people that worked for me. It was a very difficult job. It required the wearing of surgical mask and gloves because of the lead content in the monies.

It was such a difficult job that we could not count all the money. And we finally stopped counting the money and let the banks count the money upon delivery in the countries that we were laundering our money through.

Senator SASSER. Well, how did you control theft on the part of the money counters, just as a matter of curiosity?

Mr. KALISH. How did I control the what, Senator?

Senator SASSER. In other words, did the money counters themselves take a slice out of the money?

Mr. KALISH. Yes, sir, you're absolutely correct. There's not a great many people that I would place with $35 million and feel comfortable. However——

Senator SASSER. In cash.

Mr. KALISH. In fact. However, the individuals that were responsible for counting this money were well connected with the organization. They had been friends of mine since high school. And I trusted them implicitly.

Senator SASSER. But even if these friends leaked off $50,000 or $100,000, you hardly would have missed it with the currency that was coming through there, would you?

Mr. KALISH. I wouldn't have missed it.

Senator SASSER. Let me, also as a matter of interest, Mr. Kalish, how did you get into this business of selling marijuana?

Mr. KALISH. Senator, that might take hours for me to explain. It began at a very early age.

Senator SASSER. In high school?

Mr. KALISH. Yes, sir, early high school.

Senator SASSER. Were you a user of marijuana in high school?

Mr. KALISH. Yes, sir, I was.

Senator SASSER. And then did you procure marijuana to sell to your fellow students in high school?

Mr. KALISH. Yes, sir, I did.

Senator SASSER. Was that the beginning of your trading and trafficking in drugs, selling marijuana to fellow students?

Mr. KALISH. Yes, sir, that's correct.

Senator SASSER. Did you set up a ring in high school, then, for procuring and selling marijuana?

Mr. KALISH. No, sir, I did not. It was not nearly that extensive. At the time I was in high school, I was living on my own and supporting myself. And there was not a ring as such; it was simply selling small amounts of marijuana to feed myself and support myself while I went through school.

Senator SASSER. But apparently when you branched out and got into it in a big way, you took some of your high school associates with you?

Mr. KALISH. Yes, sir, many of them.

Senator SASSER. How did you entice them to do the business? Did it take much enticement?

Mr. KALISH. No, sir, it did not. They all felt the way I did. All of our friends used marijuana. We had never seen any adverse effects from using that marijuana.

They were just as interested in earning the large amounts of money from trafficking in the drug as I was.

Senator SASSER. Did you see anything wrong at that time in trading and trafficking in marijuana?

Mr. KALISH. No, sir, not at that time. But there was a point in my life when I realized.

Senator SASSER. And what brought you to that realization? Was it being arrested and incarcerated?

Mr. KALISH. No, sir, it was when I began dealing with a group of smugglers from the Miami area. They were extremely violent

people. They were motivated strictly by greed. They had a very low value for human life.

And I realized that whatever social redeeming value I thought my business had at the time, it was just a fantasy of my own, and I was incorrect in assuming such things.

But I was so involved and so committed at that point, I was never able to extract myself from the business.

Shortly thereafter, I was arrested for a very large amount of marijuana. I played a very insignificant role in the organization at this time. I was simply an off-loader. I assisted in the unloading of the marijuana.

However, I was portrayed as somebody much more significant. I depended on this organization to provide me with my attorneys' fees, to pretty much care for me. And therefore, I was obligated to continue to work for this organization.

Senator NUNN. Senator Sasser, would you yield for just a moment?

Senator SASSER. Yes, I'd be glad to.

Senator NUNN. I thought a few minutes ago, Mr. Kalish, you said that when you were arrested you were the top man in the whole organization and you had 180 people working for you.

Mr. KALISH. Senator, this is an arrest in 1978—1979, excuse me, in December. My arrest in Tampa was in July of 1984.

Senator NUNN. Oh, so at that time you were the head man?

Mr. KALISH. Yes, sir.

Senator NUNN. With Senator Sasser you were referring to a 1978 arrest?

Mr. KALISH. Yes, sir, this is an earlier time in my life. I was arrested several times for drug importations.

Senator NUNN. Thank you.

Senator SASSER. Mr. Kalish, after you were arrested for the first or second time, did it occur to you that you ought to get out of this business?

Mr. KALISH. Yes, sir, I considered it. However, I never had the courage or the resolve to do so.

Senator SASSER. You say you never had the courage. Were you afraid to get out of the business?

Mr. KALISH. Not necessarily afraid. I wasn't in fear for my life at that point. I just did not know what I would do. I expected a lengthy incarceration if I didn't have the best attorneys that money could provide. And I just didn't get out of the business.

Senator SASSER. All right. Well, now, what do you think is going to happen to you now, Mr. Kalish, when and if you ever get out of the penitentiary? Is the life expectancy pretty short for those who talk about what goes on in the drug trafficking business?

Mr. KALISH. Yes, sir, by my testifying here today, I place my wife and my family and myself in great jeopardy. I'm fully aware of that.

But I have to start making my amends to society for the crimes I've committed. I expect to spend a great deal of time in prison, Senator. I have many more years to spend in prison.

And believe me, spending time in prison as a cooperating witness is certainly the hardest time you can spend in prison.

But I have plans for my future. I have a wonderful wife and a very nice family. And I expect to live a long life.

Senator SASSER. Now, let me take you back if I may to the occasion when you chartered a tow boat, a barge, to move a massive quantity of marijuana up the Mississippi.

How far did you get with that scheme?

Mr. KALISH. First of all, Senator, I did not charter it. I actually purchased a barge in Louisiana, a fuel barge, an ocean-going fuel barge. I purchased an ocean-going tug, also.

I purchased one million pounds of marijuana in Baranquilla, Colombia. The marijuana was actually delivered to Baranquilla.

Senator SASSER. Did you have any problem purchasing that marijuana?

Mr. KALISH. Yes, sir.

Senator SASSER. Because of the quantity?

Mr. KALISH. Because of the size of the operation in Baranquilla there. That's quite a large amount of marijuana, although the Colombian that I was associated with there in Baranquilla was well known for being able to deliver such large shipments.

In this operation, part of the marijuana was indeed loaded on this barge. The off-load sites, the sites where we were actually going to unload the marijuana, had already been arranged. The operation was literally hours away from beginning at the time of my arrest in Tampa in July 1984.

Mr. BUFFONE. Senator, I might add that much of that is the subject of ongoing grand jury investigation.

Senator SASSER. Well, counsellor, let me proceed as far as I can. And if I start treading on thin ice here, you'll admonish us and we'll draw back.

Mr. Kalish, what was the destination of this marijuana you were moving up the Mississippi or intended to move?

Mr. KALISH. The State of Missouri, Senator, not far from the St. Louis area.

Senator SASSER. And was that to be a distribution point for other areas in the country?

Mr. KALISH. Yes.

Senator SASSER. That's simply the point of unloading?

Mr. KALISH. Yes, sir. Primarily the northeast United States, the major cities, New York, Chicago, Detroit. Although there was a large part of it going to the West Coast.

Senator SASSER. How far did you get with this scheme?

Mr. KALISH. As I said a moment ago, the marijuana was being loaded on to the barge at the time of my arrest.

Senator SASSER. In Colombia.

Mr. KALISH. In Colombia. After my arrest, I instructed—I actually requested that my partners not continue in the operation, because I realized that we had been under continual surveillance by the FBI and Drug Enforcement Administration; and I thought they would be taking a great risk if they pursued this operation.

Senator SASSER. Now, in the latter stages of your career, you also got involved in the cocaine business; is that correct?

Mr. KALISH. Yes, sir.

Senator SASSER. And the principal source of supply for the cocaine was also Colombia?

Mr. KALISH. Yes, sir. The marijuana came from Baranquilla, Colombia. The Medellin Cartel, which is a city in Medellin, Colombia, were the people primarily responsible for the cocaine that I was associated with.

Senator SASSER. Were there any two countries involved in the trading and trafficking and drugs that you're aware of other than Colombia and Panama?

Mr. KALISH. Senator, there's officials in many, many countries involved in the trafficking of drugs; or I should say, the facilitating of the trafficking of drugs.

Senator, at one time, and I can name several countries, Jamaica, the Bahamas, Mexico, Honduras, Belize, Panama, Colombia; all those countries were—had officials that we were connected to at one time or another, accepting our monies for the landing of aircraft, safe harbors of ships, transshipment of monies.

Senator SASSER. There have been some allegations that some in the Sandanista government in Nicaragua are involved in dealing the drug trade. Do you have any personal knowledge as to whether or not that's true?

Mr. KALISH. Yes, sir, I was told by an individual associated with the Medellin Cartel that they had set up the largest cocaine manufacturing lab in the world in Nicaragua.

Senator SASSER. And where was that cocaine manufacturing plant in Nicaragua, do you know?

Mr. KALISH. No, sir, I don't. I don't have firsthand knowledge of it.

Senator SASSER. Did you hear any accusations the so-called contra forces being involved in the distribution or manufacture of drugs at all?

Mr. KALISH. No, sir, I did not.

Senator SASSER. And when did you hear these allegations about Nicaraguans?

Mr. KALISH. I heard them as a result of the assistance I provided the Colombians in recovering the bribes that they had paid for the safety and protection in operating their cocaine lab in Panama.

I secured the release of some of their equipment; the release of several Colombians in custody; and developed a close association with these people.

And after a brief period of time they informed me it was their feeling that setting up the cocaine lab in Nicaragua was a terrible idea; and that was how I came to hear that information.

Senator SASSER. They said setting up a cocaine lab in Nicaragua was a terrible idea?

Mr. KALISH. Yes, sir. They felt that Nicaragua was under intense scrutiny by the United States, and they felt that it was not a good idea to manufacture cocaine in a country that's in such turmoil.

Senator SASSER. Did the Colombians feel that they could do business with the present government of Nicaragua?

Mr. KALISH. Senator, all I can say is, I was not told——

Senator SASSER. To your knowledge, just what you know of your own knowledge.

Mr. KALISH. Yes, sir, certain officials in that government.

Senator SASSER. Did they name any of those officials?

Mr. KALISH. No, sir, not of my own personal knowledge, I cannot say.

Senator SASSER. I have no further questions.

Senator ROTH. Okay, thank you, Senator Sasser. I have just a very few additional questions.

In answer to the Chairman, you said you headed your organization when you were arrested the final time.

What was your relationship with the Colombia groups that supply the marijuana? You were not a part of a family in any way, were you?

Mr. KALISH. No, sir, I was not. Initially my partner, Lee Ritch, was connected to a particular individual in Colombia. This gentleman headed up his organization.

I was introduced to the Colombian through my partner, Lee Ritch. The Panamanian aspect of our organization was my primary concern, and I had most of my dealings with the Panamanians.

However, in the United States my partner in Detroit headed up the U.S. end of the operation.

Senator ROTH. Let me ask you this question. Back when you first went down to Panama, you had a bundle of money. Why somewhere along the line didn't you just decide to keep that cash you had and quit the whole thing.

Why didn't you take all this cash and retire?

Mr. KALISH. Senator, I was a fugitive from the United States at the time. At that time I did not expect to live a very long life, and there was literally nothing that I could involve myself in aside from marijuana trafficking that would provide me with the safety and security that I needed.

Senator ROTH. Was one of the reasons that Panama was key because of their bank secrecy laws? Was that a critical factor in making that a haven?

Mr. KALISH. Yes, sir, it was. In addition to the fact that the military government of Panama would assist us in our operations, and have been assisting people like me for years.

In my dealings with the individual in Baranquilla, Colombia, he had informed me that he himself had paid monies to General Noriega in the early 1980s for his assistance.

Senator ROTH. Let me ask you the question another way. If Panama did away with its secrecy in banking laws that enabled dummy corporations to be created quickly as well as maintain the secrecy of deposits, would that be a major blow to the laundering of money in Panama?

Mr. KALISH. There's no question about it, Senator.

Senator ROTH. That's all the questions I have, Mr. Chairman.

Senator NUNN. Mr. Kalish, how did you bring marijuana into this country? What was the usual method—boat, plane?

Mr. KALISH. Senator, I've imported marijuana through the use of airplanes, trucks, by boat. The larger importations were accomplished by the use of different seagoing vessels.

In one particular importation in Louisiana, we used an ocean-going tug and barge.

On numerous occasions we used fishing vessels, whether they be shrimp vessels or some other sort of vessel.

Sometimes we used offshore supply vessels that are used to service the drilling rigs off the coast of the United States. Probably several other kinds also.

Senator NUNN. Were you operating when Federal authorities were ronducting an intensive effort around the Miami-South Florida area?

Mr. KALISH. Yes, sir, we were. One time I was actually at the airport when I believe our Vice President had flown into Miami.

Senator NUNN. Were you involved in narcotics at that time?

Mr. KALISH. Yes, sir, I was, quite extensively.

Senator NUNN. How about that trip? Were you involved at the airport in a smuggling operation?

Mr. KALISH. I didn't have drugs on me at that particular time, although I was certainly actively engaged in importation.

Senator NUNN. What effect did the Federal crackdown in South Florida have on your operation?

Mr. KALISH. Well, I was arrested in July 1984.

Senator NUNN. So, you were among those caught in that operation?

Mr. KALISH. Yes, sir, I would think so.

Senator NUNN. Did you shift any of your operations elsewhere during that time, or did you continue to import drugs into South Florida?

Mr. KALISH. We never actually imported drugs into South Florida. We were aware of the major concentration of agents and effort in South Florida. Therefore, we certainly never considered actually importing drugs into South Florida.

We always used remote rural areas, Louisiana, Mississippi, North Carolina, South Carolina.

Senator NUNN. That implies airplanes, right?

Mr. KALISH. Airplanes and seagoing vessels. They all have coastlines, extensive coastlines.

Senator NUNN. Did most drug smugglers shift elsewhere when Federal authorities conducted intensive operations such as the one on South Florida?

Mr. KALISH. Absolutely. Whenever there was a concentration of personnel in an area there was a shift.

Senator NUNN. In your operations, did you use sophisticated technology—radios, computers, fast planes, that kind of thing?

Mr. KALISH. Yes, sir, we had the best that money could buy, the best electronics, the best detection equipment.

Senator NUNN. Tell us a little bit about that.

Mr. KALISH. Well, all our vessels were equipped with satellite navigation. We had the finest radio equipment we could buy. We had the best scanners we could buy. We monitored all the police frequencies quite extensively.

I believe the FBI just began to scramble their calls just recently. Prior to that they didn't have the money, I believe, to scramble their radio traffic.

Senator NUNN. So you were intercepting FBI and other law enforcement comunications?

Mr. KALISH. Yes, sir. We spent months setting up our security nets in an area that we were attempting an importation in. We literally knew all movements.

Senator NUNN. All movements by law enforcement?

Mr. KALISH. Yes, sir.

Senator NUNN. How about the Coast Guard?

Mr. KALISH. We were not primarily concerned with Coast Guard, although we watched their stations. We were not concerned with Coast Guard interdicting our vessels.

Senator NUNN. Why?

Mr. KALISH. Because we had taken steps to screen ourselves from the Coast Guard, with refrigeration equipment installed on our fishing vessels to prevent the infrared photographic detection from their overflights.

We always fit into a profile that would not—that would not raise any eyebrows.

Senator NUNN. Did you study profiles developed by Federal law enforcement agencies?

Mr. KALISH. Oh, I didn't study it. But I had been informed of it.

Senator NUNN. In terms of both Federal and State drug interdiction efforts, you're basically saying that your equipment and so forth were more sophisticated than that possessed by the law enforcement people who were trying to apprehend you. Is that right?

Mr. KALISH. I don't know that it's more sophisticated. It's just that there were so many more of us, and so few of them. It was just impossible, given the manpower and the resources that they had available at that time, for them to stop us.

Senator NUNN. Regarding Federal law enforcement efforts against narcotics trafficking, do you believe that additional resources are essential?

Mr. KALISH. Yes, sir, I do.

Senator NUNN. Are we going to get a real payoff on those additional resources, or is it just a never-ending spiral? Can we really succeed in stopping or greatly reducing the flow of drug traffic by interdiction?

Mr. KALISH. I think you have already begun to greatly reduce the introduction of marijuana into this country. I can't say that in regards to the cocaine coming into this country today.

Senator NUNN. Is that because marijuana comes in such large bulk shipments, and so forth?

Mr. KALISH. Yes, sir, it's much more difficult to transport and much easier to detect. As far as the never-ending funding for law enforcement, I believe that if the monies are directed in the proper ways, I think that you will have a great deal of success.

However, as I stated earlier, I am a firm believer that the education programs and the rehabilitation centers are the most important tool in deterring drug use in this country.

Senator NUNN. What's your age?

Mr. KALISH. 35 years old.

Senator NUNN. Do you have children?

Mr. KALISH. No, sir, I do not.

Senator NUNN. How old were you when you started using marijuana?

Mr. KALISH. 15 years old.

Senator NUNN. Did you ever use cocaine?

Mr. KALISH. Yes, sir, I did.

Senator NUNN. What age were you then?

Mr. KALISH. 19, 20 years old.

Senator NUNN. Do you have any message you'd like to give to the young people of America?

Mr. KALISH. Yes, sir, I do. I think they need to think before they use these drugs. I think they need to realize—at least try to understand how damaging these drugs can be, and what can happen to them if they use these drugs.

The trouble is, Senator, children don't realize what they're doing when they use these drugs. And after they've become enmeshed in the entire drug scene, they're so deep that they can't extract themselves from it.

Senator NUNN. Is that basically the pattern of your life?

Mr. KALISH. Yes, sir, it is.

[A letter received from Mr. Buffone, Mr. Kalish's attorney follows:]

ASBILL, JUNKIN, MYERS & BUFFONE
*Washington, DC, February 12, 1988.*

Daniel F. Rinzel,
*Chief Counsel to the Minority, Permanent Subcommittee on Investigations, Russell Senate Office Building, Washington, DC.*

DEAR DAN: Under separate cover I have fowarded to your office the corrected version of Steven Kalish's January 29, 1988 testimony before the subcommittee. At pages 23, 24 and 47 Mr. Kalish testified about the chain of custody of handwritten financial notes that were produced as an exhibit at the hearings. Mr. Kalish testified that, to his knowledge, the notes were retrieved from a locked file cabinet by the United States government after his personal property had been transferred to the United States from Panama.

Testimony received later that day from U.S. custom agent Laura Sherman contradicted this testimony. Ms. Sherman testified that the documents in question were produced to her by me. She further testified that it was her understanding that the documents had been retrieved from Panama by Kalish's wife, forwarded to me and then turned over to the government.

I have had an opportunity to review this testimony with Mr. Kalish. Mr. Kalish would now like to correct his testimony. The documents in question were in fact retrieved from his personal possessions maintained in Panama at the time of a trip to Panama by his wife. The documents were forwarded by air courier to my office in Washington, D.C., I assembled the documents and took them to Tampa, Florida where I turned them over to the U.S. Customs Service in the presence of a representative of the United States Attorney's office.

Under either scenario the documents were not in the possession of Mr. Kalish, and could not have been, after they left Panama. As Ms. Sherman testified, consistency of the documents with other financial records and independent corroboration she has obtained speak to their authenticity.

Yours truly,

SAMUEL J. BUFFONE

Senator NUNN. Thank you, Senator Roth.

Senator ROTH. Thank you, Mr. Chairman. I believe that's all the questions we have at this time. Thank you, Mr. Kalish.

Senator NUNN. At this time I would like to call forward William Rosenblatt, the Assistant Commissioner of Customs for Enforcement. Mr. Rosenblatt, do you have anyone else that's going to testify?

Mr. ROSENBLATT. Janet Gunther, chief of the Financial Investigations Branch. And Steve Basha, counsel for enforcement.

Senator NUNN. If you could have them come up, we swear in all the witnesses before our Subcommittee.

Will each of you hold up your right hand? Do you swear that the testimony you give before this Subcommittee will be the truth, the whole truth, nothing but the truth, so help you God?

Mr. ROSENBLATT. I do.
Mr. BASHA. I do.
Ms. GUNTHER. I do.
Senator ROTH. Mr. Rosenblatt, would you proceed with your prepared statement?

**TESTIMONY OF WILLIAM P. ROSENBLATT, ASSISTANT COMMISSIONER, OFFICE OF ENFORCEMENT, U.S. CUSTOMS SERVICE, ACCOMPANIED BY JANET M. GUNTHER, CHIEF, FINANCIAL INVESTIGATIONS DIVISION, AND STEVE BASHA, COUNSEL**

Mr. ROSENBLATT. Thank you, Senator.
Senator ROTH. The two that were introduced and sworn, if they want they can sit at the table.
Mr. ROSENBLATT. OK, thank you.
Mr. Chairman and Senator Roth, it is a pleasure for me to appear before you today to discuss the law enforcement activities of the Customs Service as they relate to your inquiry concerning Panama.
I'm aware of the significant military and diplomatic issues involving Panama, which have been the subject of considerable media attention recently.
As a law enforcement officer, I will direct my remarks today strictly to the law enforcement relationship with Panama, and leave the diplomatic and military issues for others to address.
As you are aware Customs special agents investigate and bring to prosecution cases in a variety of fields. The most prominent of these are narcotics smuggling, bank secrecy act and money laundering violations, commercial fraud, child pornography importations, the illegal importation of arms and critical technology.
Because of our special status as border law enforcement agency, we find that investigations within the United States frequently require information obtainable only in foreign countries. As a consequence, we have 18 foreign offices to support these investigative efforts.
Our investigative attack on narcotics smuggling organizations, using provisions of the Bank Secrecy Act, has paid excellent dividends when measured by its impact on the largest smuggling groups operating in this country.
Multi-agency investigative and prosecutorial teams, operating under the leadership of local U.S. attorneys, are currently active in those cities with a history of large scale currency movements, and those cities most active in drug trafficking.
In 1986 Customs national outbound currency interdiction program, known as Operation Buckstop, resulted in 162 currency seizures totalling more than $42 million.
As the lead Federal agency for drug interdiction, we work closely with the Coast Guard and the military to prevent drugs from reaching our shores. In the investigative area, we work closely with the Drug Enforcement Administration and the FBI.
I believe the level of inter-agency cooperation is better today than at any other time.
Our motivation as Federal law enforcement officials is to prevent illegal narcotics from reaching the United States; to disrupt narcot-

ics smuggling organizations; and hopefully, to put as many organizations out of business as possible.

We are stopping record quantities of drugs at our border each year. And together with other agencies, more and more significant arrests continue to be made.

Unfortunately, the smugglers are growing and producing drugs in even greater amounts than ever before. They're not doing this philosophically, or for ideological reasons. They are doing it for money.

The amount of money generated by drug trade staggers the imagination. Just to give you an idea of the magnitude of the dollars involved, consider the following.

Colombian drug smugglers openly offered to pay off Colombia's entire national debt in return for amnesty from prosecution and extradition.

With such huge amounts of money being generated by these illegal enterprises, one of the major vulnerabilities of the criminal organization is the movement and the handling of the narco-dollars.

Federal law requires the reporting of currency and bearer instruments over $10,000 transported into or out of the United States. Smugglers seek to evade the currency reporting requirements because of the paper trail it leaves behind.

They have a constant requirement to launder their money so it will not leave a trail.

Our investigations have disclosed that Panama is one of the countries in which drug smugglers currently launder money. Your inquiry into the role of Panama regarding drugs and money laundering is both timely and appropriate.

I welcome the opportunity to answer any questions you may have in regard to Customs' role in stopping the flow of drugs into this country, and our efforts to confiscate the illegal profits generated by these ventures.

Senator NUNN. Thank you, Mr. Rosenblatt.

Senator ROTH.

Senator ROTH. You mentioned that one of the Colombian rings offered to pay off the Colombia debt. What was the size of the debt?

Mr. ROSENBLATT. Senator, I'm not exactly certain of the size of the debt. My source was open sources; it was the media. It was contained in a number of publications, this particular offer.

Senator ROTH. Do we have any estimates of the kind of money that is laundered per year from this country?

Mr. ROSENBLATT. No. What we do have is based on forms that are filed for transportation of currency in and out of the country, as well as currency transactions reports that are filed by financial institutions. We have an idea, but only an idea. I believe, quite frankly, it is only a fraction of the enormous amount that goes in and out of the country that is related to drug trafficking.

Senator ROTH. What is the estimate of that, even though low?

Mr. ROSENBLATT. Over the course of the last 6 years relative to our currency reporting forms for transportation, over $46 billion is reflected for reports filed.

Senator ROTH. That is the official document, is it not?

Mr. ROSENBLATT. That is what is reported to us, Senator.

Senator ROTH. So that really gives no indication of what the actual flow is. Let us go to the immediate question of Panama. What are the current figures on excess dollars being repatriated from Panama?

Mr. ROSENBLATT. The Customs Service data base on reports of international transportation of currency or monetary instruments, which we refer to as CMIRs, shows that from January through October of 1987, approximately $390 million in currency and negotiable instruments was repatriated from Panama.

I would like to expand on that answer, if I may, Senator. Those are this year's figures. Back in 1981, the figures were approximately the same. Now, that is inbound, $390 million for 1987. In 1981, it was $395 million.

The high point of reporting inbound monetary——

Senator ROTH. I am going to ask that this chart be put up so that everybody can see it. Why don't you explain what this chart means? [See Exhibit 9 on p. 57.]

Mr. ROSENBLATT. Well, in—I want to make sure that this is the same chart I have in front of me. It reflects the amount of money by year to Panama from the United States and from Panama to the United States.

As I was about to indicate, if you look at the years of 1984 and 1985, from Panama is $1,092,000,000, and then $1,079,000,000. And then there is a decrease and the figures to——

Senator ROTH. Before we get to the decrease, let us make sure that I understand what you are talking about. Now, in 1984, you had officially $86 million flowing to Panama, is that correct? Is that what that figure means?

Mr. ROSENBLATT. That is correct.

Senator ROTH. And under our law, you are required to—anything in excess of $10,000 must be reported, is that correct?

Mr. ROSENBLATT. That is correct.

Senator ROTH. On the other hand, that year, 1984, you have over $1 billion flowing back to the United States from Panama?

Mr. ROSENBLATT. That is correct.

Senator ROTH. Flowing from Panama to the United States?

Mr. ROSENBLATT. Yes, Senator.

Senator ROTH. When we say from Panama, that goes where, to the Federal Reserve?

Mr. ROSENBLATT. Yes.

Senator ROTH. So you have a surplus of $1,005,000,000?

Mr. ROSENBLATT. That is correct.

Senator ROTH. Now, what is that surplus? What exactly is that surplus?

Mr. ROSENBLATT. That is the amount of cash that the financial institutions in Panama want to return to the United States for appropriate credit. They cannot use that kind of cash in Panama. It is what it says, surplus.

Senator ROTH. But what is the significance of that amount?

Mr. ROSENBLATT. To my way of thinking, it means that they have got more money being generated in Panama into the banks of Panama than we show going from the United States to Panama.

Senator ROTH. So isn't that an indication of how much money is illegally flowing to Panama?

Mr. ROSENBLATT. I would say that I would be willing to say that a significant portion of that may be illegally obtained. There might be included in that what I term as flight capital.

Senator ROTH. There may be reasons other than drug smuggling?

Mr. ROSENBLATT. Yes, sir.

Senator ROTH. But it is probably a pretty strong indication of the amount of total capital flight?

Mr. ROSENBLATT. At least with respect to Panama, yes.

Senator ROTH. With respect to Panama. Now, again, you have somewhat similar figures in 1985, $76 million flowing to Panama according to our records, but again over $1 billion coming back, so that you have, again, a surplus of $1 billion.

Mr. ROSENBLATT. Yes, sir.

Senator ROTH. In 1986–1987, you had a significant change. Why don't you comment on the 1986–1987 figures?

Mr. ROSENBLATT. Well, I believe the reduction in the amount is based on the pressure that has been put on Panama and their financial institutions and the government. It is based on successful money-laundering investigations and undercover operations that may have deterred the Colombian narcotics traffickers from laundering their profits through Panama.

There might be another reason, but it would be conjecture on my part, Senator, that there may be an attempt by Panamanian banking interests to disarm world public opinion of Panama as a money-laundering center by moving currency back through the United States through third countries.

Senator ROTH. Through what?

Mr. ROSENBLATT. Through other countries, third countries.

Senator ROTH. Divert it?

Mr. ROSENBLATT. Divert it.

Senator ROTH. So that one can only generalize. Let us assume, at best, that it does show success in lowering the use of Panama as a money-laundering haven. It is like the glass half full. The figures have dropped from a billion to roughly a half billion, then to $344 million, but even that is a very, very significant amount, isn't that correct?

Mr. ROSENBLATT. I think one could conclude from those figures, even though they have decreased—at least I do as a professional law enforcement manager—that Panama remains one of the preeminent countries for laundering of illegal profits.

I might mention, also, although Panama has gone down in the amounts of money, there is a corresponding increase in the amount of money we see in Colombia. Put the two together, whether it is for 1984 or currently, and you have a very similar universe of money.

Senator ROTH. So that that really substantiates your conjecture earlier that it may be that the money is just being diverted through a third country rather than directly returned here?

Mr. ROSENBLATT. That is a possibility.

Senator ROTH. Let me go back and ask you a question that I asked our prior witness. How important is money laundering to drug operations?

Mr. ROSENBLATT. It is extremely important, so much so that from my personal experience when I worked down in Miami as the Spe-

cial Agent in Charge, we began our Operation Greenback financial investigation. We came to find out very quickly from informants and from defendants in these money cases that the logistical problem associated with moving their money was much greater than moving the actual narcotics.

It is a logistical problem to take $1 million of small-denomination bills which can weigh upward to 100 pounds and move it. We have had seizures down in south Florida and other areas in the neighborhood of $3 to $5 million in small bills that weighs 300 to 400 pounds.

It becomes a big logistical problem, and what they want to do is—what they were doing in the late 1970s and the early 1980s was trying to take the money through the banks and either convert the small bills into $100 denominations, reducing the logistical problem, or, better yet, convert it and have it wire-transferred or obtain a check, which only, as you all know, weighs only a few grams, and then move the money that way.

Senator ROTH. We had an earlier hearing—I believe it was the Director of Customs who displayed graphically the large physical volume and weight of a million dollars in small bills. I think people underestimate the seriousness of the problem for the smuggler.

Mr. Kalish testified that they had whole households full of money, so much that they didn't even bother to count it. Is that correct?

Mr. ROSENBLATT. Yes, Senator. If I could ask your indulgence, I have asked my staff to put together for your Subcommittee some examples of the extent of concealment and the logistics problems that the traffickers have to move their money.

Senator ROTH. Let me ask for some photographs to be shown at this time so that the audience can all see what you are talking about. Do you want to elaborate on these photos in Operation Buckstop? [The photographs referred to have been retained in the Subcommittee files.]

Mr. ROSENBLATT. Senator, I would be glad to. The amount seized in this particular case, as depicted by the photographs—the amount is $751,000. The seizure was made at Los Angeles International Airport. It was in a false compartment inside of a carton of frozen crabs.

The seizure was effected March 1986. Search warrants were executed subsequent to the violator's arrest and resulted in the seizure of an additional $12,000, which we believe to be his fee, and one kilogram of cocaine. The shipment was destined for Panama City, Panama.

Senator ROTH. Now, what about Operation Greenback, the so-called Inair case?

Mr. ROSENBLATT. On June 15, 1984, an aircraft, commercial aircraft carrying cargo came into the Miami International Airport. Based on information that was developed by DEA and our attache in Panama, inspection of seven Sanyo freezer units arriving from Panama City revealed 1,000 kilograms of cocaine in the cargo.

There were no consignees. However, after tracing the fingerprints in the seizures, two individuals were responsible and were arrested and convicted in this particular case. The cargo was trans-

ported on an Inair aircraft. It was seized as a result of the smuggling venture.

I believe this case is the same one that the previous witness, Mr. Kalish, made reference to relative to an inquiry that allegedly was made to him by General Noriega relative to 1,000 kilos of cocaine transported by cargo aircraft.

Senator ROTH. Now, we have a second set of photos from Operation Buckstop. Are these white bundles really packages of money?

Mr. ROSENBLATT. That is correct. Those particular bundles represent over $500,000 in cash. I believe it is inside a television set. The date of the seizure was in February of 1986. Unfortunately, the attempt to locate the shippers to date has been unsuccessful.

Senator ROTH. Mr. Kalish alone was trying to launder something like $300 million. Looking at those bundles, it gives you some idea of the tremendous problems in carrying or transporting those funds physically undetected to Panama.

Mr. ROSENBLATT. Yes, Senator. As a matter of fact, I received late last night photos from our field office which I think may be of interest to this Committee. Back in 1985, November 1985, in Miami, a couple of air compressors—these are six-foot-long air compressors—were in a 20-foot container. They were destined for the Colon Free Zone in Panama.

They had a record amount of over $4 million in it, and I have photographs if your Subcommittee is interested.

Senator ROTH. Yes. Would you hand that up here so we could see it?

The point I want to make is that the pure physical problem of transporting this money is the reason that this is such a critical aspect of the drug smuggling, so that if we could stop it, there is no question it would be a grievous blow to drug smuggling efforts. Is that correct?

Mr. ROSENBLATT. Absolutely, Senator. As a matter of fact, Customs, as well as other Federal agencies, are deeply involved in pursuing the money trail associated with the narco trafficking.

Customs has been involved, as you may be aware, since 1979 in pursuing the Bank Secrecy Act and now, most recently, the Money Laundering Act.

Senator ROTH. All right. Now, Panama has passed some laws making money laundering a crime, and it purportedly offers better cooperation with U.S. law enforcement authorities.

What has been your experience since then? Has Customs made any request for banking information? If so, what was the result?

Mr. ROSENBLATT. The U.S. Customs Service—I am aware of that law, and so is my Attaché in Panama, but we have not made any official requests of the government of Panama for assistance under the provisions of this anti-drug law.

Senator ROTH. Why not?

Mr. ROSENBLATT. We haven't directly. We have been associated with other cases as a participating agency with other agencies who have, and in some instances they have been successful.

Quite frankly, I am leery of utilizing this law because of the situation down there. The cooperation we get is mixed. In certain instances we get good cooperation; in others I feel that we are stonewalled.

Senator ROTH. Wouldn't it be desirable to test it?

Mr. ROSENBLATT. I think we are in the process of testing it by participating with the Drug Enforcement Administration and the FBI. As you are aware, the Drug Enforcement Administration went forward with the Panamanians on Operation Pisces.

Senator ROTH. Let me go back to a more basic question. While this law, if administered cooperatively, could help, there is discretion. Aren't bank secrecy laws essential to money laundering, or a critical aspect of money laundering?

Mr. ROSENBLATT. Absolutely.

Senator ROTH. So that if a foreign country really wanted to be cooperative, they wouldn't allow such laws to exist. Admittedly, there could be some bonafide purpose, but—

Mr. ROSENBLATT. I believe when we demonstrate—when law enforcement officials in the United States or any country demonstrate that we have information that monies flowing or monetary instruments flowing to a country that has a bank secrecy act—if we can demonstrate that there is a narcotics connection, they ought to be willing to give us that information.

I believe the reverse should work as well, Senator. I believe any country that has bank secrecy laws, if they come into possession of information about drug trafficking utilizing their banking system to hide illegal activity profits, they should volunteer the information to the appropriate law enforcement official in the appropriate country.

Senator ROTH. I would like to turn a moment to the Steven Michael Kalish case, the witness we just had before us. What investigations have you made to determine whether Mr. Kalish's story is accurate?

Mr. ROSENBLATT. Well, U.S. Customs is one of several agencies working in the investigation involving the information provided by Mr. Kalish. The DEA and the FBI are working as equal partners in this.

The documentation that has been presented by the Committee today, we have possession of. There is additional information and evidence, at least documents, that represent potential evidence.

A number of things have been verified relative to dates and places that Mr. Kalish has represented in his testimony before this Committee here today. With respect to the purchase of aircraft, the purchase of helicopters, we have those documents.

Whether or not these were on behalf of General Noriega—we have the testimony of witnesses. Again, these witnesses are subject to indictment, possibly, possibly also incarceration.

What the agencies are attempting to do is to corroborate as extensively as possible—not only make a determination of the potential for prosecution, but to ensure that if an effort is made to prosecute those individuals that have been identified by Mr. Kalish that we will be successful in prosecution as well.

Senator ROTH. Do flight logs for N39292 confirm that it was used to fly General Noriega to Washington, DC, on November 18, 1983, and later to Las Vegas, Nevada?

Mr. ROSENBLATT. The flight logs that we have indicate that General Noriega was a passenger on that aircraft, as reported by the pilot in command of the aircraft.

Senator ROTH. We understand that Customs seized from Mr. Kalish handwritten accounting records. When were they seized, and is this a blow-up of the documents seized?

Mr. ROSENBLATT. Senator, these documents were obtained by Customs; I believe it was in August last year. We obtained them from Mr. Kalish's attorney.

Senator ROTH. And they were obtained after his arrest?

Mr. ROSENBLATT. That is correct.

Senator ROTH. Now, is Mr. Kalish still being paid regularly by the National Bank of Panama on a letter of credit involving the purchase of a helicopter for the Panama defense forces?

Mr. ROSENBLATT. That is correct.

Senator ROTH. Have you obtained other records indicating that Mr. Kalish was, in fact, involved in the purchase of a 727 jet for the Panamanian Government?

Mr. ROSENBLATT. We have documents pertaining to the acquisition of that aircraft, including the bills of sales, et cetera.

Senator ROTH. Have you interviewed pilots hired by Mr. Kalish to transport drug money? If so, what have you learned?

Mr. ROSENBLATT. Special agents assigned to this case from our agency as well as Drug Enforcement and the FBI have interviewed witnesses. In a number of respects, they relate a similar representation as given by Mr. Kalish this morning.

Senator ROTH. Now, we have what appear to be aircraft flight logs regarding Kalish-Panama; that is Exhibit 9 that was shown earlier. Did Customs compile those records?

Mr. ROSENBLATT. Well, insofar as an analysis and compilation, yes.

Senator ROTH. Now, Mr. Rosenblatt, we have heard some pretty startling evidence today of government complicity, or at least complicity of some government officials in money-laundering operations in Panama.

Is there any hope of stopping money laundering as long as government officials are involved?

Mr. ROSENBLATT. If, in fact, government officials of any country sanction a portion of money laundering as a result of narcotics trafficking in their country, whatever that universe is, it is virtually hopeless for law enforcement agencies of any country to completely stop that kind of activity.

Senator ROTH. If I understand your testimony, money laundering is critical to drug smuggling.

Mr. ROSENBLATT. Yes.

Senator ROTH. If we can stop that, we can badly damage the international drug business, but key to that is ensuring that we get full cooperation from governments in stopping such activities.

Mr. ROSENBLATT. The answer to the first part of your question is it is absolutely essential. It is one of the primary tools, as far as I'm concerned, in stopping narcotics trafficking is following the money. The second part of your question, I agree.

Senator ROTH. Mr. Chairman, you and I last year sponsored some legislation providing for sanctions in the event we did not get full cooperation. It seems to me that the testimony we have today underscores he importance of gaining full cooperation from foreign governments.

Mr. Chairman, that is all the questions I have at this stage.

Senator NUNN. Thank you, Senator Roth. I just have a few questions.

Referring to the document on the chart to your right, Mr. Rosenblatt, am I correct in assuming that it was delivered to Customs by Mr. Kalish's attorney?

Mr. ROSENBLATT. That is my understanding. Let me verify that. That is correct.

Senator NUNN. What was the date of that delivery?

Mr. ROSENBLATT. Some date in August of last year.

Senator NUNN. Of 1986?

Mr. ROSENBLATT. 1987.

Senator NUNN. 1987. What was the occasion for that delivery? Was it requested, subpoenaed, or a voluntary turn-over?

Mr. ROSENBLATT. I believe it was part of the plea agreement as a voluntary turn-over.

Senator NUNN. Had that document been in Mr. Kalish's or his attorney's possession all along or had it been under some other supervision?

Mr. ROSENBLATT. It is my understanding it was under the supervision of another individual other than Mr. Kalish. Mr. Kalish was incarcerated. They were in the possession of another individual.

Senator NUNN. Do you know who that individual was?

Mr. ROSENBLATT. Yes.

Senator NUNN. Are you fully aware of the chain of possession of this information from the time of Mr. Kalish's arrest in 1984 until it was turned over to Customs by his attorney in 1987?

Mr. ROSENBLATT. No.

Senator NUNN. Has any law enforcement agency verified that chain?

Mr. ROSENBLATT. I am not personally aware. It is possible that the investigative agents on this case may be aware of that.

Senator NUNN. Who were the investigative agents—the FBI, Customs?

Mr. ROSENBLATT. Customs and FBI and DEA agents.

Senator NUNN. I understood Mr. Kalish to say that this document was among those seized from him at the time of his arrest. At least that was my memory of what he said. Is that not right?

Mr. ROSENBLATT. Mr. Chairman, if I may, it is my understanding that the documents, the contemporary notes that have been on display, plus others that the investigative agencies and the U.S. attorney in Tampa have in their possession now were in Panama at one time.

Subsequent to Mr. Kalish's arrest, these documents were shipped from Panama as part of household goods relative possibly to the sale of Mr. Kalish's home down there, but nevertheless these documents were shipped from Panama to the United States.

They were sent to Mr. Kalish's wife, who then turned them over to Mr. Kalish's attorney, who turned them over to the authorities.

Senator NUNN. Do you know whose handwriting that is?

Mr. ROSENBLATT. We have not—these right here?

Senator NUNN. Yes.

Mr. ROSENBLATT. We have not done a scientific comparison, but based on known samples of his writing, the agents feel that these are originals. This is a copy, obviously, but——

Senator NUNN. From Mr. Kalish, himself?

Mr. ROSENBLATT. Right.

Senator NUNN. Was there any time between his arrest and the point at which this document was provided to Customs by his attorney that Mr. Kalish could have written it?

Mr. ROSENBLATT. There is that possibility. I would not want to sit here and say categorically there is no possibility. Once they were shipped from Panama and they arrived here in the United States before they were turned over to Mr. Kalish's attorney and to us, there is that possibility.

Senator NUNN. Have you or your people been part of the investigative team dealing with Mr. Kalish's case?

Mr. ROSENBLATT. That is correct.

Senator NUNN. Do you have any of the agents here that were directly involved with him?

Mr. ROSENBLATT. Yes, I do.

Senator NUNN. Would they identify themselves?

Mr. ROSENBLATT. I have Laura Sherman here, special agent.

Senator NUNN. I would like to get her to testify, unless you have some objection. I think it is important that we understand whether this document could have been written after the fact and whether there is someone who has knowledge of this possibility.

Mr. ROSENBLATT. The only reluctance that I have, Mr. Chairman, is that Ms. Sherman is investigative case agent for U.S. Customs on it, on this case, as well as an agent of the grand jury.

Senator NUNN. Well, I'm just going to ask her about this document and the questions surrounding it. I want to see whether your people believe that Mr. Kalish is a credible witness.

Would you hold up your right hand, please? Do you swear the testimony you give before this Subcommittee will be truth, the whole truth, and nothing but the truth so help you God?

Ms. SHERMAN. I do.

Senator NUNN. Now, would you please state your name for the record?

## TESTIMONY OF LAURA SHERMAN, SPECIAL AGENT, U.S. CUSTOMS SERVICE.

Ms. SHERMAN. Yes, sir. My name is Laura Sherman.

Senator NUNN. What is your position, Ms. Sherman?

Ms. SHERMAN. I'm a special agent with the U.S. Customs Service.

Senator NUNN. How long have you been in that position?

Ms. SHERMAN. Approximately 5 years.

Senator NUNN. Approximately 5 years?

Ms. SHERMAN. Yes, sir.

Senator NUNN. During that period, have you had a chance to be involved in the Kalish case?

Ms. SHERMAN. Yes, sir, I have.

Senator NUNN. Have you interviewed him?

Ms. SHERMAN. Yes, I have.

Senator NUNN. Have you gotten into this subject with him?

Ms. SHERMAN. Yes, sir, quite extensively.

Senator NUNN. Well, just tell us in your own words what you believe about this document. I'm particularly interested in the chain of possession and whether you believe this document is authentic in terms of when it was done, whether it is his handwriting, and so forth. Give us your own version regarding it.

Ms. SHERMAN. The document was turned over to me in approximately August of 1987 by his attorney, Mr. Buffone. I was told at that time that the document had been recently retrieved from Panama by Mr. Kalish's wife, and Mr. Kalish had not had access to these documents as yet. And I took possession, made appropriate copies, and sealed them up and put them in the safe.

Senator NUNN. Who told you that?

Ms. SHERMAN. Mr. Buffone.

Senator NUNN. Mr. Kalish's attorney?

Ms. SHERMAN. Yes, sir. When Mr. Buffone showed me the documents, I called the assistant United States attorney to witness the transfer of the documents to me.

Senator NUNN. Have you had occasion to interview Mr. Kalish about this document?

Ms. SHERMAN. Yes, sir, I have.

Senator NUNN. Did you ask him about the dates, and so forth?

Ms. SHERMAN. Yes, sir, I did, and the dates on it are corroborated by certain bank records that we have obtained.

Senator NUNN. The question I have is how do we know that this wasn't done after he was incarcerated?

Ms. SHERMAN. We have not done an analysis of the date of the paper or anything like that, sir.

Senator NUNN. How about analysis of the handwriting?

Ms. SHERMAN. The handwriting has not been analyzed by a professional. However, in an unprofessional opinion it compares with the handwriting I know to be Steven Kalish's.

Senator NUNN. Do you believe Mr. Kalish to be a credible witness?

Ms. SHERMAN. My opinion is yes, sir.

Senator NUNN. Do you have any reason to disbelieve any of the testimony he has given today?

Ms. SHERMAN. No, sir.

Senator NUNN. Have you corroborated a portion or portions of that testimony?

Ms. SHERMAN. Yes, sir.

Senator NUNN. So, you have worked with him and you believe he is credible in terms of the testimony he has given us today?

Ms. SHERMAN. Yes, sir, I do.

Senator NUNN. Do you have any reason to believe that this document was not prepared by him prior to his arrest?

Ms. SHERMAN. I'm sorry?

Senator NUNN. Do you have any reason to believe that Mr. Kalish prepared this document after his arrest?

Ms. SHERMAN. No, sir. I believe it was prepared at the time it states.

Senator NUNN. Now, tell us why. Why do you believe that?

Ms. SHERMAN. This is only one of a series of several documents and they all seem to flow in a natural progression of someone that is trying to keep track of their own personal financial records.

Senator NUNN. So, this was part of a whole array of papers?

Ms. SHERMAN. Yes, sir.

Senator NUNN. But this document, at least, was not among the documents he had on him when he was arrested?

Ms. SHERMAN. No, sir, it was not.

Senator NUNN. What other agents have been involved with this case?

Ms. SHERMAN. By name, sir?

Senator NUNN. Yes, by name.

Ms. SHERMAN. Stanley Jacobson from the Federal Bureau of Investigation, Vicki Johnson from the FBI, and Al Henley from DEA.

Senator NUNN. Would you repeat that last one?

Ms. SHERMAN. Al Henley with Drug Enforcement.

Senator NUNN. Thank you.

Senator ROTH. I don't have anything else. Thank you, Mr. Chairman.

Senator NUNN. Thank you.

Senator ROTH. Mr. Chairman, we will be continuing to work in this area and at a future time we will propose possible further hearings. Mr. Chairman, with your permission, I would call the Subcommittee in recess, subject to the call of the Chairman.

Senator NUNN. The Subcommittee will be in recess.

[Whereupon, at 12:31 p.m., the Subcommittee was recessed to reconvene at the call of the Chair.]

# APPENDIX

## EXHIBIT 1

Pg. 1

SERVICIOS EXCLUSIVOS DE PANAMA, S.A.
(EXCLUSIVE SERVICES OF PANAMA, S.A.)
EDIFICIO BANCO DE BOSTON, PISO NO. 20 VIA ESPAÑA, PANAMA, R. P.

TELS. 64-7228 64-8003 TELEX 3473 CABLE COSA

Pd. out 2-4-84

| | |
|---|---|
| 400,000.00 | Turistico Corp. (11-1-83) |
| 500,000.00 | Purchase 787-100 (11-15-83 |
| 1995,000.00 | Loan to E. of O. (12-18-83 |
| 216,000.00 | Charter Costa |
| 200,159.00 | Cost Pd. on house (2-13-84) |
| 65,000,00 | Cost Pd. on house (1-20-84 |
| 14,000.00 | Exp. on home |
| 505,000.00 | Cost. Pd. on job (1/3 paid So.) |
| 250,000.00 | Cost Pd. on job (1/4 paid Pan) |
| 300,000.00 | Gift to Tony |
| 100,000.00 | Comm. Check. Pd. Tony |
| 50,000.00 | Loan to Tony (Refundable of Comm.) |
| 595159.00 | |
| 4,595,159.00 | Pd. out as of 2-4-84 |

B.N.P. B/. 1,995,000.00 EXHIBIT 2

BANCO NACIONAL DE PANAMA

División Internacional

December 21, 1983

Servicios Exclusivos de Panamá, S.A.
Ave. Balboa y Calle 40
Edificio Peña Prieta
Panamá, R.P.

For account of FUERZAS DE DEFENSA DE LA REPUBLICA DE PANAMA, PANAMA,R.P.
We hereby issue in your favor our irrevocable letter of credit N°83(1011-11)395 for US$1.995.000.00 available by your signed draft/s drawn on us at sight for the full amount of the claim, accompanied by:

1. Your simple signed letter stating that the said amount is overdue for payment, according to the terms of the agreement between yourselves and the accountee.

Partial drawings are permitted.
Total drawings are limited to US$1.995.000.00.

Special instructions:
You will not be required to present any evidence to support your claim and we undertake to pay you immediately upon first presentation of the above document.

This credit will expire at Banco Nacional de Panamá, Via España, Panamá R.P. on December 31, 1988.

Yours truly,

RAFAEL AROSEMENA A.
General Manager

Yo, ALMA MONTENEGRO DE FLETCHER, Notario Public. Tercero del Circuito de Panamá, con Cédula No. 8-77-786 CERTIFICO: Que esta copia fotostática es auténtica de su original que me ha sido presentada y que devuelvo al interesado.

Panamá AGO. 24 1984

A. M. DE FLETCHER
NOTARIO PUBLICO TERCERO

EXHIBIT 3

Miss Denis:
Welcome to Panamá
Your friend
General Noriega
18 Feb 1984 PANAMÁ

EXHIBIT 4

SEA TOWER SHIPPING CO, S.A.

EDIFICIO BANCO DE BOSTON PISO N° 20 VIA ESPAÑA, PANAMA, R.P.

TELEX 3493 CARD COOP

3-1-84

Bal. 841,208.26
800,000.00
1,641,208.26
- 320,000.00 (150,000/727-100 cancelled ; 170,000.00 King Air)
1,321,208.26
39,400.00
1,360,608.26
150,000.00 Cancelled check
1,510,608.00 3-1-84
200,000.00 Caesar II Cura
1,310,608.00
150,000 727-100 (deposit)
1,160,608
60,000 passport diplomatic & Rodriguez
1,100,608
60,000 Kike for Barletta's campaign
1,040,608
25,000 transit deposit 3-9 Transit SA
1,015,608
300,000 ship purchase 3-10 Cari Cargo
715,608.0
25,000 Per. Jet 3-10
640,608.0
200,000 Ceasar II 3-10 Cura
440,608.0
5,000 Cash
435,608.0
30,000.0 Eng. Exp. 3-15 Cari Cargo
405,608.0
15,000.0 Porsche
390,608.0

FORM APPROVED OMB NO. 04-R0078

EXHIBIT 5

...ITED STATES OF ...ICA DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION-MIKE MONRONEY AERONAUTICAL CENTER
AIRCRAFT REGISTRATION APPLICATION

CERT. ISSUE DATE

UNITED STATES REGISTRATION NUMBER N 39292

AIRCRAFT MANUFACTURER & MODEL
Gates Learjet 35A

AIRCRAFT SERIAL No.
189

FOR FAA USE ONLY

TYPE OF REGISTRATION (Check one box)

☐ 1. Individual ☐ 2. Partnership ☒ 3. Corporation ☐ 4. Co-Owner ☐ 5. Gov't.

NAME OF APPLICANT (Person(s) shown on evidence of ownership. If individual, give last name, first name, and middle initial.)

PERSONAL JET MANAGEMENT LEASING, INC.

ADDRESS (Permanent mailing address for first applicant listed.)

Number and street: 5401 N.W. 15th Avenue

Rural Route: P.O. Box:

| CITY | STATE | ZIP CODE |
|---|---|---|
| Ft. Lauderdale | Florida | 33309 |

☐ CHECK HERE IF YOU ARE ONLY REPORTING A CHANGE OF ADDRESS

ATTENTION! Read the following statement before signing this application.

A false or dishonest answer to any question in this application may be grounds for punishment by fine and/or imprisonment (U.S. Code, Title 18, Sec. 1001).

CERTIFICATION

I/WE CERTIFY:

(1) That the above aircraft is owned by the undersigned applicant, who is:
Check one as appropriate

a. ☒ A citizen of the United States;

b. ☐ A resident alien, with alien registration (Form 1-151 or Form 1-551) No. _____

c. ☐ A foreign-owned corporation organized and doing business under the laws of (state or possession) _____, and said aircraft is based and primarily used in the United States. Records of flight hours are available for inspection at _____

(2) That the aircraft is not registered under the laws of any foreign country; and
(3) That legal evidence of ownership is attached or has been filed with the Federal Aviation Administration.

NOTE: If executed for co-ownership all applicants must sign. Use reverse side if necessary.

| EACH PART OF THIS APPLICATION MUST BE SIGNED IN INK. | SIGNATURE | TITLE | DATE |
|---|---|---|---|
| | [signature] | [illegible] | 8/29/83 |
| | SIGNATURE | TITLE | DATE |
| | SIGNATURE | TITLE | DATE |

NOTE: Pending receipt of the Certificate of Aircraft Registration, the aircraft may be operated for a period not in excess of 90 days, during which time the PINK copy of this application must be carried in the aircraft.

AC FORM 8050-1 (11-79) (0052-00-628-9008) SUPERSEDES PREVIOUS EDITION

727

BANK OF CREDIT AND COMMERCE INTERNATIONAL
(OVERSEAS) LIMITED PANAMA

Branch _____

# DEBIT ADVICE

Date Nov. 24, 1983

To

Señores
M/L 18

Account Number 0 1 0 0 6 6 1 2

Your Account has been debited as follows:-

Dlrs. Five hundred _____ Thousand

and 00/100*** _____ Hundred

Amount

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | US$ | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Value date

| | | | | | |
|---|---|---|---|---|---|
| 2 | 4 | 1 | 1 | 8 | 3 |

day month year

Ref.: Payment order issued in favor of
Aeronautics and Astronautics Services Inc.
for US$500,000.00 as per instructions.

Authorised Signature

Authorised Signature

ACT-F-47A

18

EXHIBIT 6

54

EXHIBIT 7

FORM APPROVED: OMB NO. 04-R0076

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION — FEDERAL AVIATION ADMINISTRATION

# AIRCRAFT BILL OF SALE

FOR AND IN CONSIDERATION OF $ 1.00 AND OTHER THE UNDERSIGNED OWNER(S) OF THE FULL LEGAL AND BENEFICIAL TITLE OF THE AIRCRAFT DESCRIBED AS FOLLOWS:

UNITED STATES REGISTRATION NUMBER: N FAP 400

AIRCRAFT MANUFACTURER & MODEL: Lockheed L188C Electra

AIRCRAFT SERIAL No.: 2022

DOES THIS DAY 30 December 19 83 HEREBY SELL, GRANT, TRANSFER AND DELIVER ALL RIGHTS, TITLE, AND INTERESTS IN AND TO SUCH AIRCRAFT UNTO:

Do Not Write In This Block FOR FAA USE ONLY

PURCHASER

NAME AND ADDRESS (IF INDIVIDUAL(S), GIVE LAST NAME, FIRST NAME, AND MIDDLE INITIAL.)

Personal Jet Management & Leasing, Inc
5401 N.W. 15th Ave
Ft. Lauderdale, Fla 33309

DEALER CERTIFICATE NUMBER

AND TO EXECUTORS, ADMINISTRATORS, AND ASSIGNS TO HAVE AND TO HOLD SINGULARLY THE SAID AIRCRAFT FOREVER, AND WARRANTS THE TITLE THEREOF.

IN TESTIMONY WHEREOF HAVE SET HAND AND SEAL THIS DAY OF 19

SELLER

| NAME (S) OF SELLER (TYPED OR PRINTED) | SIGNATURE (S) (IN INK) (IF EXECUTED FOR CO-OWNERSHIP, ALL MUST SIGN.) | TITLE (TYPED OR PRINTED) |
|---|---|---|
| FUERZA AEREA PANAMENA | | Chief of the Panamenia Air Force |
| FUERZAS DE DEFENSA-PANAMA | | |
| | | |
| | | |

ACKNOWLEDGMENT (NOT REQUIRED FOR PURPOSES OF FAA RECORDING; HOWEVER, MAY BE REQUIRED BY LOCAL LAW FOR VALIDITY OF THE INSTRUMENT.)

PURCHASER'S COPY (This copy must be signed in ink if submitted to the FAA.)

AC FORM 8050-2 (8-76) (0052-00-900052)

EXHIBIT 8

AIRCRAFT FLIGHT LOGS REGARDING KALISH/PANAMA

| FLIGHT NUMBER | A/C | PILOTS | DATES OF CHARTER | CUSTOMER | ITINERARY | # OF PAX | NAMES OF PAX | OTHER NOTES |
|---|---|---|---|---|---|---|---|---|
| 3104 | N835NB | Johnson<br>Allaro | 061184-061584 | Servicios Exclusivos | Ft. Lauderdale, Fl.<br>Panama City, Panama<br>Patilla, Panama<br>David, Panama<br>Patilla, Panama<br>David, Panama<br>Panama City, Panama<br>Ft. Lauderdale, Fl. | <br>3<br>0<br>5<br>5<br>5<br>0<br>0 | Cavanaugh | |
| 4198 | N100VQ | Sweeney<br>Rohrechler | 071184-071684 | Brown | Ft. Lauderdale, Fl.<br>Panama City, Panama<br>Kingston, Jamaica<br>Nassau, Bahamas<br>Ft. Lauderdale, Fl. | <br>3<br>1<br>1<br>1 | John Rhea | |
| | N100VQ | Allen<br>Madonna | 072084-072184 | Brown | Ft. Lauderdale, Fl.<br>Panama City, Panama<br>Ft. Lauderdale, Fl. | <br>3<br>0 | | |
| 4201 | N100VQ | Allen<br>Rohrechler | 072384 | Servicios Exclusivos | Ft. Lauderdale, Fl.<br>Panama City, Panama<br>Ft. Lauderdale, Fl.<br>Tampa, Fl.<br>Ft. Lauderdale, Fl. | <br>0<br>4<br>5<br>0 | Cindy Lawrence | |
| 5002 | N39292 | Foreman<br>Madonna | 111583-112083 | MR | Ft. Lauderdale, Fl.<br>St. Petersburg, Fl.<br>Ft. Lauderdale, Fl.<br>Nassau, Bahamas<br>Panama City, Panama<br>Miami, Fl.<br>Ft. Lauderdale, Fl.<br>Washington, D.C.<br>Tulsa, Oklahoma<br>Oklahoma City, Oklahoma<br>Las Vegas, Nevada<br>Ft. Lauderdale, Fl. | <br>0<br>6<br>6<br>6<br>3<br>3<br>3<br>4<br>4<br>6<br>6 | Ritch, L. **Gen Noriega to Vegas<br>Pemberton, T 111083<br>Brown, F<br>Sims, F<br>Sims, C | |

* Notation from Flight Plan
** Notation from Foreman's Pilot Log

EXHIBIT 9

CURRENCY FLOW BETWEEN U.S. and PANAMA

| YEAR | TO PANAMA | FROM PANAMA | SURPLUS |
|---|---|---|---|
| 1982 | $0 | $278,584,600 | $278,584,600 |
| 1983 | $80,960,000 | $841,630,700 | $760,670,700 |
| 1984 | $86,620,000 | $1,092,055,000 | $1,005,435,000 |
| 1985 | $76,000,000 | $1,079,550,000 | $1,003,550,000 |
| 1986 | $93,600,000 | $588,000,000 | $494,400,000 |
| 1987 | $47,040,000 | $391,800,000 | $344,760,000 |
| TOTAL | $384,220,000 | $4,271,620,300 | $3,887,400,300 |